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**Democracy after Accession: Deconsolidation  
and the EU's Domestic Impact in Central and  
Eastern Europe**

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# Abstract

This dissertation addresses three research questions about democratic deconsolidation in Central and Eastern Europe after EU accession: what are the conditions under which it occurred? What intervening, case-specific processes explain deconsolidation? And what was the nature of the EU's domestic impact relating to this phenomenon? To operationalize deconsolidation, I use the democratic embeddedness model proposed by Wolfgang Merkel in 2004. It states that consolidated democracies feature two dimensions of embeddedness. Internally, five interconnected elements ensure democracy's proper functioning: elections, civil rights, political rights of participation, horizontal accountability and the guarantee that elected officials have the effective power to govern. Externally, three conditions protect democracy against destabilizing factors: a favorable socio-economic context, active civil society and a high degree of international integration. Using the embeddedness model in combination with a set-theoretic multimethod approach, I examine the conditions responsible for facilitating deconsolidation in Central and Eastern Europe.

The study presents three main findings. Firstly, at a regional level, there are two alternative, non-exclusive combinations of conditions for deconsolidation: a deteriorating socio-economic context, and a sequential combination of declining economy, rising populism and increased bargaining power in relation to the EU. Secondly, examining the processes behind deconsolidation in two cases, Hungary and Romania, shows that domestic factors provide a more coherent explanation than the EU's failure to address democratic backsliding effectively. In Hungary, it is populism in power coupled with a constitutional reform that constrained democratic institutions. In Romania, deconsolidation occurred because of a dysfunctional system of checks and balances and low government capabilities. Thirdly, the EU's capacity to implement formal sanctions is decisive in whether its interventions against deconsolidation are effective. The EU's impact was more limited in Hungary, while in Romania, it was more efficient in keeping deconsolidation in check due to dedicated instruments focusing on fighting corruption and preserving the rule of law. Overall, the EU as a guarantor of democracy is not yet vulnerable, but it is at risk, as has become evident more recently.

Finally, this dissertation proposes two topics for future research. The first deals with examining the EU's relationship with its member states through the lens of democratic credibility, rather than that of legal compliance, which has

thus far produced a limited understanding of post-accession democratic promotion. The second is based on the European Commission's recent proposal to apply budgetary sanctions in response to rule of law violations from member states. Although still in its preparatory stage, this proposal will introduce formal, targeted sanctions with implications for democracy. Its process of adoption and future effects are a promising topic for empirical research.

## **Chapter 1**

# **The roots of democratic deconsolidation in Central and Eastern Europe**

### **1.1. The research problem**

Examining a volatile process while its effects are in full swing can be frustrating. I began work on this dissertation at a time when there was already mounting evidence that Central and East European democracies were entering a period of decline, and found, early on, that much of my research would run parallel to this trend. The response from theorists, moving along similar lines, has been mixed. The transition paradigm of the 1990s, resting on the assumption that a country moving away from dictatorship is moving towards democracy in a sequential manner (Carothers, 2002) is no longer tenable when measured against empirical evidence. However, the idea that this progression of liberalization - regime change - transition - habituation may be reversible is not new. As early as the 1980s O'Donnell, Schmitter and Whitehead were writing on the sequential collapse of bureaucratic-authoritarian rule, emphasizing that the process should be viewed as neither inevitable, nor irreversible (O'Donnell, Schmitter and Whitehead, 1986, p. 92). And indeed it seems that, three decades later, we are starting to see the signs of such a reversal.

Over the last fifteen years, the tone of the public discourse around democracy has turned from optimistic, to reserved, to bleak. Speaking in turns of stagnation, backsliding or decline, the debate has shifted towards a deconsolidation paradigm in the 2010s (Ágh, 2016). But while the media and expert reports continue to paint a depressing picture of democracy under assault, political scientists have been asking a more cautious question: are we dealing with a crisis of democracy, or the symptoms of one?

With this dissertation, I offer my own contribution to the debate by examining the conditions and processes behind democratic deconsolidation in Central and Eastern Europe since the European Union's eastern enlargement. The twofold goal is to test how well a theoretical model put forward in the early 2000s – democratic embeddedness – is able to explain deconsolidation; and to examine the EU's post-accession effectiveness in preserving democratic norms

at the domestic level. The analysis looks at the decade between 2005 and 2014, which corresponds to the deconsolidation paradigm shift, although, due to the timing of the study, it does not address the most recent, and increasingly concerning developments in the region. Instead, the broader problem I am interested in pursuing is whether empirical evidence from this period reflects what we know now: that democracy here is undergoing a process of deconsolidation which has the potential to generate a crisis. In other words, to what extent are we able to find the roots of this outcome, knowing as we do, that it has indeed occurred in the long run? Central and Eastern Europe is not a deviant case in the deconsolidation paradigm. Some of the factors that have been eroding these comparatively new democracies, such as dwindling public trust in democratic institutions and the rise of populism, are present in established Western democracies as well. What differentiates Central and Eastern European democracies from their Western counterparts, in addition to their age, is their degree of consolidation at the point where the reverse process began. If older, established democracies are not immediately at risk, as many political scientists suggest, what then are the effects of deconsolidation on younger and more vulnerable ones? Central and Eastern Europe provides a good ground for exploring this question.

It is, of course, unrealistic to expect to find a comprehensive explanation that pertains to all countries in the region, especially during a decade-long period. Deconsolidation is not a quick process, despite what cases such as Hungary and Poland may suggest. Nor are many of its mechanisms directly obvious, regardless of the wealth of empirical evidence and theoretical explanations put forward in the last two decades. A coherent formula for deconsolidation implies both parsimony and the understanding that some cases deviate from the explanation, resulting in a trade-off between complexity and coverage. Relatedly, explaining this outcome cannot be restricted to a single condition or process. A realistic examination must thus make room for multiple, possibly co-existing, explanations.

This chapter, which introduces the concept of democratic deconsolidation, is divided into two parts. The first provides an overview of the context in which deconsolidation occurred in Central and Eastern Europe, and how theoretical stances evolved to reflect it. Here, I briefly present relevant theoretical gaps that emerged in literature since the early and mid-2000s, and discuss how I approach them in my research. These are further expanded in Chapter 2, where the democratic embeddedness model is examined at length.

The second part of this chapter presents three research questions concerning the conditions and mechanisms of deconsolidation, along with the contributions my dissertation hopes to make to this timely topic.

### **1.1.1. Navigating the deconsolidation paradigm**

The fifteen years following the EU's eastern enlargement have been at odds with the prior confident expectations concerning the state of democracy. While scholarship widely recognizes that most Central and Eastern European countries (hereafter CEE countries) joined the EU as consolidated democracies, it appears that old assumptions no longer hold up against new evidence. To aid the understanding of how theoretical stances moved away from a narrative of democratic success towards one of deconsolidation, I suggest dividing recent literature on CEE democracies into three distinct groups. Pre-accession studies (up to 2004) tend to focus on the role of EU conditionality as a catalyst for democratic consolidation, and set many of the expectations for the performance of then-candidate countries, which were later contradicted in the long term. Early post-accession literature (2004-2010) examines the new member-states' capacity to comply with EU norms, compared to old member-states, and signals a few initial causes for concern, although much of the positive tone carries over from previous studies. On the other hand, late post-accession research (after 2010) marks a negative turn towards notions of decline and crisis.

Most optimistic views on the state of post-accession democracy in CEE originate in the early post-accession literature. Prior to the EU's eastern enlargement, the focus on political conditionality recognized the process as a strong driving force behind democratic consolidation in the region. The external incentives model proposed by Schimmelfennig and Sedelmeier (2008) explains how national governments were motivated in their rule adoption efforts by a 'carrot and stick' system, where accession was facilitated by concrete assistance from EU programs for economic restructuring, such as PHARE and SAPARD. Conversely, the prospect of delaying accession, as was the case in practice with Romania and Bulgaria, was used in response to candidates' failure to implement the *Acquis Communautaire* in a timely manner. Scholars of both democracy and European integration writing in the early and mid-2000s largely agree on the latter's positive effect on the former, which is evident in the fact that most of the countries that joined the EU in 2004 and 2007 did so as consolidated

democracies (Eckiert et al., 2007; Pop-Eleches, 2007; Merkel, 2004; Vachudova, 2005) and that the delay imposed upon Romania and Bulgaria corresponded with a continuing period of improvement in the countries' quality of democracy (The Democracy Barometer, 2016). The transformative power of accession also boosted the economy and reduced populist tendencies initially (Zielonka, 2007), and generated a shift towards the liberal and green parties on the CEE political scene (Vachudova, 2009; Toshkov, 2008).

Literature is not, however, universally hopeful. While consolidation through accession was at first hailed as a success story, it also created a few vulnerabilities that were the object of research on the new member-states' performance. Several years before negotiations were finalized, Grabbe (2001) cautioned that the rational mechanism of rule adoption that governed accession also generated institutional imbalances that weakened national parliaments. Noting that the EU's role in shaping policy processes and institutional relations in CEE far exceeded its influence in old member states, Grabbe suggested that the EU may have exported its own democratic deficit in these relatively young democracies. Through conditionality, efficacy was prioritized over legitimacy, favoring strong executives able to manage the accession process quickly and effectively. This, in turn, affected the quality of participation and representation, to which a European layer was now added. At the same time, citizens were left feeling detached from the democratic process due to the absence of a genuine European demos (Zielonka, 2007; Mungiu-Pippidi, 2015). Evidence is also mixed concerning the post-accession role of political conditionality. During accession, strong pressure from the EU bolstered reforms that drew a clear boundary between CEE candidates and other former communist countries in Eastern Europe, where the promise of membership was not formally in place (Gherghina, 2009). Initially, compliance with EU norms continued successfully in the new member-states (Sedelmeier, 2008), but once the incentive of joining disappeared, and conditionality replaced by a more diffuse external pressure, a slowing down of reforms occurred (Pridham, 2008; Levitz and Pop-Eleches, 2010).

### **1.1.2. The deconsolidation paradigm in brief**

In a classic observation on democratic transition, Linz and Stepan (1996) noted that consolidation is achieved when democracy becomes 'the only game in town'. But what happens when the term 'democracy' starts needing qualifiers?

The transition from 1990s optimism towards the rejection of consolidation in the 2010s has also introduced a variety of concepts that led to the expansion of the semantic field of democratic theory. But, much like the reversibility of transition, the idea of 'democracy with adjectives' is not new. Two decades ago, Collier and Levitsky (1997) warned about the risk of stretching the conceptual borders of democracy beyond logical extremes in order to make room for observed cases that would not qualify as democracies under a more rigorous definition. The deconsolidation paradigm faces a similar problem of trade-off between conceptual clarity and empirical coverage.

Democratic backsliding is one such concept, widely used but vaguely defined in literature. Bermeo (2016) proposes to define it as the 'state-led debilitation or elimination of any of the political institutions that sustain an existing democracy' (p. 5). This can manifest either in a radical form, leading to democratic breakdown, or a more gradual change across a limited number of institutions, producing hybrid regimes. Similarly, Waldner and Lust (2018) conceive of backsliding as a discontinuous 'deterioration of qualities associated with democratic governance in any regime' (p. 95): elections may become less competitive, participation more restricted and accountability more diminished, but there is no danger of democratic norms being completely - or rapidly - suspended.

The dispute over the nature of democratic backsliding reflects the widespread disagreement on what the process opposite democratization should be called, and what forms it can take (Cassani and Tomini, 2018). The public discourse on democracy has veered into anxieties about crisis, under the impact of Donald Trump's electoral victory, Brexit, and the threat of terrorism (Norris, 2017), but political scientists have been more reserved, and literature is largely in line with the idea that a reverse Third Wave (per Huntington, 1991, p. 15: 'a group of transitions [...] that occur within a specified period of time and that significantly outnumber transitions in the opposite direction') is not underway. In 2015, a *Journal of Democracy* special issue asked, 'Is democracy in decline?' Most responses recognized the risks, but kept a cautious tone: democracy in the world is characterized by net stability, with young democracies proving surprisingly robust (Levitsky and Way, 2015); democracy is either stagnating, against high expectations bolstered by the early successes of the 1990s, or experiencing decline in an incipient form (Diamond, 2015); the legitimacy of established democracies is called into question not as a mode of government, but due to their poor economic performance, coupled with the shifting

geopolitical balance between democracy and autocracy (Plattner, 2015); democracy may be in crisis, but it is not at risk of collapse (Schmitter, 2015). In short, there is a risk of deconsolidation, but not of democratic breakdown.

On the other hand, the radical form of democratic backsliding translates into diminished checks on executive powers, restriction on judiciary independence, media and civil society by the state, and human rights abuses (Norris, 2017). These trends are not yet common in Western democracies but are growing in CEE countries, with significant decline occurring in the areas of national democratic government, media independence and judicial frameworks (Sibinescu and Teramae, 2016). As Table 1.1. shows, half the countries in the region experienced a decline in democratic quality across the board since 2005 (marked as '-'), while only Czech Republic and the Baltic states managed to maintain positive or stable trends (marked as '+'/'0').

**Table 1.1. Changes in the quality of democracy in Central and Eastern Europe, 2005-2014**

COUNTRY	FH	BTI	EIU	DB <sup>1</sup>
Bulgaria	-	-	-	-
Czech Republic	+	+	-	+
Estonia	0	+	+	+
Hungary	-	-	-	-
Latvia	+	+	0	+
Lithuania	+	+	+	+
Poland	-	-	-	+
Romania	-	-	-	-
Slovakia	-	-	-	-
Slovenia	-	-	-	-

Source: Sibinescu and Teramae (2016)

Thus, while scholars such as Bermeo (2016) have attempted to define backsliding in both moderate and radical forms, I suggest that a clearer conceptual boundary needs to be established before proceeding with this study. Subscribing to the more cautious view that we are facing the risk of a democratic crisis, but not yet an outright crisis, I opt for using deconsolidation to denote the slower process,

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<sup>1</sup> Note: FH: Freedom House - Nations in Transit (2005-2014); BTI: Bertelsmann Transformation Index (2006-2014); EIU: Economist Intelligence Unit Democracy Index (2006-2014); DB: Democracy Barometer (2005-2014). Detailed sources in bibliography.



which is less likely to produce a crisis in the short run, and take Norris' (2017) meaning of backsliding to represent the more radical process. Deconsolidation, then, can be interpreted as public disenchantment with democracy and the erosion of legitimacy among its institutions, coupled with the destabilizing of democratic party systems and rising support for other forms of government. (Foa and Mounk, 2016, 2017; Howe, 2017). These trends, which have been growing in CEE, are also found in more incipient forms in Western democracies, where the appeal of far-right populist parties and charismatic leaders has been on the rise in recent years.

Deconsolidation is a particularly worrying problem in CEE for three reasons. Firstly, Poland and Hungary contradict the long-standing democratization success narrative with the worrying erosion of democratic norms and the rise to power of right-wing populism. Secondly, Romania and Bulgaria continue to maintain their position as laggards of democratic consolidation a decade after joining the EU. And relatedly, the situation in the region calls into question the efficacy of the EU as a democratizing actor.

Two further aspects should be considered when addressing the consequences of the EU's domestic impact in CEE. Firstly, post-accession operationalization is tricky. The external incentives model helps identify relevant factors based on the benefits and sanctions associated with the accession process. However, once membership status was attained and conditionality removed from the picture, operationalizing the impact of the EU became much more difficult. Sedelmeier (2008) suggests that this dilemma could be approached in terms of post-accession rule compliance, which remained positive. He uses two variables, transposition and infringement, to assess the levels of rule compliance in the new member states, compared to the old ones. But this poses a problem of data reliability, in that these variables measure formal rule implementation and account only for infringement cases that have been detected and acted upon by the European Commission. Giusti (2007) suggests turning instead to a kind of residual conditionality associated with accession to the Economic and Monetary Union. As with political conditionality though, the fact that it would no longer be reliable past a certain point renders this variable unusable in the long-run. A second related problem deals with a recurring dilemma in literature: is the EU damaging or protecting CEE democracies? This question appears in several of the early post-accession studies discussed above (most notably: Grabbe, 2005; Zielonka, 2007; Dimitrova and Pridham, 2004), where it is once again addressed in the context of conditionality. The authors conclude that the accession process has indeed had some negative,

but limited effects, mainly by creating institutional imbalances that could exacerbate over longer periods of time.

However, there is currently no systematic effort to determine the nature and strength of the EU's post-accession impact in the region based on empirical evidence. CEE is a good testing ground for the claim that the EU's strategy of linking consolidation to accession has failed in the long-run. The EU's role must also be integrated with domestic conditions when seeking a comprehensive explanation for deconsolidation. The democratic embeddedness model, proposed by Wolfgang Merkel in 2004, provides a promising theoretical framework for such an integration, by singling out conditions that protect or weaken democracy against external destabilizing elements.

## **1.2. Dissertation road map**

### **1.2.1. Research questions**

To wrap-up the previous points, this dissertation follows three objectives, with corresponding research questions. The first of these concerns the viability of the embeddedness model when tested against recent evidence of deconsolidation. The model, whose theoretical foundation and components are described in Chapter 2, belongs to the early post-accession literature, where a few concerns about the long-term performance of CEE democracies had made their way into the debate. The model, however, was not specifically designed with these countries in mind, and can be used as an analytical framework to examine both consolidated and flawed democracies. It does not describe precise causes of decline, but focuses instead on the conditions that weaken or enhance their effect. Furthermore, embeddedness only stipulates what these conditions are, but makes no statements about how they interact with one another. So, while the model has wide applicability, interactions vary across different clusters of cases, and are particularly valuable for understanding the mechanisms of deconsolidation in young democracies. Thus, the first research question my study addresses is: *What were the conditions of post-accession deconsolidation in CEE, and how did they interact with one another?*

The second, related objective of this study is to understand the processes that link these conditions to deconsolidation. As Table 1.1 shows, a

decrease in the quality of democracy is prevalent, but has not occurred everywhere in the region. This is even more evident when breaking down the 2005-2014 decade into smaller intervals, when some countries experiencing overall deconsolidation saw short instances of improvement. The mechanisms that connect conditions to outcome are thus case-specific and best suited for an in-depth analysis of individual countries or time periods. The research question corresponding to this objective is: *What processes explain deconsolidation in individual CEE countries?* Case selection for this question is explained in Chapters 4 and 5.

**Table 1.2. Research questions**

OBJECTIVE	RESEARCH QUESTION	CHAPTER
Testing the democratic embeddedness model	RQ1: What were the conditions of post-accession democratic deconsolidation in CEE? How do these conditions interact with each other?	Chapters 2-4, 6
Linking the conditions of deconsolidation to the outcome	RQ2: What processes explain deconsolidation in individual CEE countries?	Chapters 3, 5, 6
Examining the assumption that the EU's domestic impact in terms of preserving democracy has been either weak or negative	RQ3: What was the nature of the EU's post-accession domestic impact, and how does it relate to deconsolidation	Chapters 2-5, 6

Finally, the third objective deals with the early post-accession assumption that the EU's domestic role in preserving democracy is significantly weaker in the post-accession period, compared to the pre-2004 period, when conditionality was in place. This is an intriguing question, considering the EU did not explicitly position itself as a democratizing actor during accession. Similarly, conditionality had not been designed as an instrument for promoting democracy, but rather as means of achieving economic, institutional and legislative alignment between CEE countries and the EU. On the other hand, a consolidated democracy was one of the pre-conditions of membership (The European Council, 1993). This disconnection between objectives and supporting mechanisms means that, in

terms of the EU's input, democratic consolidation was a byproduct of accession. The retirement of conditionality opened up concerns about the nature and viability of new instruments the EU may use to prevent backsliding. Evidence so far suggests that, much like conditionality, they have been ad-hoc, rather than specifically designed for the purpose. With the recurring exception of Romania and Bulgaria, for which the EU instituted the Cooperation and Verification Mechanism to monitor the rule of law and judicial independence, efforts to address deconsolidation in Hungary or Poland have been both inconsistent and largely ineffective. Thus, the third research question examined in this dissertation is: *what is the nature of the EU's post-accession domestic impact, and how does it relate to deconsolidation?* Table 1.2 summarizes the three objectives, research questions and chapters where they are addressed.

### **1.2.2. Contributions**

The main ambition of this dissertation is theory testing. There is a strong link between the objectives outlined above when they are viewed through the framework of democratic embeddedness. Although it provides a valuable way of framing deconsolidation, the model has thus far seen limited empirical use<sup>2</sup>, which tends to focus on internal political and institutional flaws as a source of instability, rather than addressing the claim that a variety of other conditions, both domestic and pertaining to international integration, are responsible for preventing or facilitating deconsolidation. In examining how the model holds up against empirical evidence, preliminary information about the EU's role and how it interacts with other conditions, is derived.

Relatedly, a second contribution of this dissertation is the operationalization of the EU's role as a component of embeddedness. As I explain in Chapter 2, the CEE-EU relationship is more balanced in the context of membership, compared to the pre-accession period, when the 'carrot and stick' approach was in place. As members, CEE countries are able to exert direct influence on European institutions and policies, balancing out the old, predominantly one-way relationship. Thus, any meaningful operationalization should take these changes into account. Operating under the assumptions that (1) deconsolidation is largely driven by domestic factors; and (2) the EU's goal is

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<sup>2</sup> For examples of such applications see: Bühlmann, 2011; Wetzel and Orbie, 2011; Tolstrup, 2009.

to preserve democracy as one of its core values, operationalization should be able to integrate two opposing forces.

Finally, this study also hopes to make a methodological contribution by taking a set-theoretic multimethod approach to the embeddedness model. This research design is particularly valuable for its ability to reveal not only how conditions interact, but also whether they are necessary or sufficient for explaining deconsolidation. In addition to the analysis proper, in Chapters 3 and 4 I describe a way to translate the model from natural language into set-theoretic terms. This enhances the usability of the embeddedness model in empirical research and should facilitate similar future studies.

## Chapter 2

# Deconsolidation, democratic embeddedness and the EU's domestic impact

The deconsolidation paradigm in Central and Eastern Europe is anchored in compelling empirical evidence, but its theoretical evolution is equally important for understanding why democracy has failed to live up to the optimistic expectations of the 1990s. As a concept, deconsolidation may be clear on the surface - a gradual deterioration of established democracies - but in practice, it is difficult to operationalize for a simple reason: political scientists rarely agree on what democracy is. Most attempts to tackle deconsolidation so far have used the quality of democracy (hereafter QOD) as an instrument for empirical analysis. But QOD too is built around the concept of democracy and, in consequence, on its long history of theoretical contestation. Thus, in order to make sense of deconsolidation, it is necessary to draw the road map backwards by first outlining the meanings of democracy, then focus on QOD and the defects of young democracies, and finally arrive at the current understanding of deconsolidation.

This chapter establishes the dissertation's theoretical basis. In it, I begin addressing two of the research questions posed in the introduction from a conceptual point of view:

***RQ1:** What are the conditions of post-accession democratic deconsolidation in CEE and how do these conditions interact with each other?*

***RQ3:** What is the nature of the EU's post-accession domestic impact, and how does it relate to deconsolidation?*

Accordingly, the chapter is divided into two parts. In the first, I propose operationalizing deconsolidation using the democratic embeddedness model, which requires a brief excursion through the many definitions of democracy and QOD. In the second part, I focus on international integration, as one of the components of embeddedness, in the form of EU-CEE relations before and after accession was completed. It is particularly important to understand the EU's role in deconsolidation given that democracy has been formally established as both one of the Union's core values and a key condition for the accession of CEE countries. Has the EU failed in its attempt to help develop consolidated

democracy in the region? Or, more critically, has the accession process itself created conditions for deconsolidation? Scholars of integration put forward various responses to these questions, ranging from the early post-accession confidence in the EU's transformative power, to the more reserved views of the 2010s. In the second part of this chapter I offer my own contribution to the discussion by suggesting that, in the context of deconsolidation, EU-CEE relations are no longer predominantly uni-directional: on the one hand, membership granted CEE countries a measure of bargaining power; on the other hand, deconsolidation impacts the EU's credibility as a democratizing actor. As a component of embeddedness, integration should reflect these two sides of the story accurately.

## **2.1. Situating democratic embeddedness: the road-map backwards**

In 1987, Giovanni Sartori wrote that “[a definition] must embrace the whole of what it defines, but no more.” (p. 182). He remarked that “What is democracy?” and “How much democracy is there?” are complementary questions, but they should be asked in that order. Before examining QOD and the origins of democratic defects, it is imperative to clarify the meaning of both democracy and quality. Since the 1950s, the limitations - and advantages - of a dichotomous understanding of democracy as non-autocracy have given way to a more nuanced, multi-dimensional concept. In time, flexible definitions resulted in the notion that a ‘bad’ democracy can still be considered democratic as long as it does not experience a systemic crisis leading to authoritarian take-over. These interpretations also created the premise for measuring democracy, which has drawn much scholarly interest since the early 2000s and led to the development of numerous democracy indexes and cross-country data sets.

In the post-Cold War decades, the stark separation between democracy and autocracy is no longer useful for analytical purposes. Instead, there is an increasing number of regimes where only some conditions of democracy are present, or all conditions are present, but only in part. In other words, there are

varying degrees of democracy<sup>3</sup>, frequently equated with QOD (Sartori, 1987; Diamond, 1996; Dahl, 1989). However, these concepts all inherited one aspect of the dichotomous approach: all democracies, regardless of their quality, hold contested elections.

### **2.1.1. What is democracy?**

#### ***The electoral criterion***

Since Joseph Schumpeter defined democracy as a system “*for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote*” (1947, p. 269) the electoral criterion has been the conceptual anchor of democracy. This is not surprising, considering the political climate in which Schumpeter wrote. The end of World War II marked the beginning of a new wave of democratization (Huntington, 1991), which took place in the context of the Cold War’s ideological polarity. Within this time-frame it makes sense that democracy should be understood in the limited sense of electoral competition, which set it apart from authoritarianism. Huntington himself adopted the electoral criterion as a minimal definition of democracy to explain how countries fit into his waves of democratization model.

The electoral criterion states that democracy is a political system that holds contested elections (Przeworski et al., 2000). This does not imply that simply holding elections makes a country democratic, but rather that emphasis should be placed on their contested character. At minimum, this requires electoral competition, which in turn requires a multi-party system, along with electoral rights and access to multiple sources of information. Furthermore, the electoral criterion by itself says nothing about whether competition is meaningful in practice. Rather, such a minimalistic concept of democracy illustrates the fallacy of electoralism (Schmitter and Karl, 1991), whereby elections are given priority over other dimensions of democracy. However, despite its conceptual limits, the electoral criterion is a useful tool for making sense of the long-standing scholarly debate over how democracy should be

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<sup>3</sup> Authoritarianism has seen a similar treatment in literature, with the development of concepts such as competitive authoritarianism and hybrid regimes (Levitsky and Way, 2002, 2010; Bardall, 2016; Bogaards, 2008; Gilbert and Mohseni, 2011).



defined. Since the late 1940s, its centrality established two theoretical trends: the first claims that elections should continue to be seen as democracy's most important feature; the second adopts a more inclusive view, bringing in substantive and procedural elements of the political process.

Joseph Schumpeter proposed a bare-bones definition of democracy. But the problem with this classic approach, notes Pasquino (2005), is that, while straightforward, it fails to account for the role of voter participation outside elections. This limitation is addressed in the second strand of the debate, led by Robert Dahl, who began developing the concept of polyarchy in the 1950s. In his later work, *Democracy and Its Critics* (1989), Dahl defined polyarchy as a political regime where power is exercised between three or more actors. In his view, the concept entails a procedural approach, in which political and civic freedoms, along with equality and accountability, support the principle of universal suffrage. Based on Dahl's earlier work, Giovanni Sartori defined democracy as "*a procedure and/or a mechanism that (a) generates an open polyarchy whose competition on the electoral market (b) attributes power to the people and (c) specifically enforces the responsiveness of the leaders to the led.*" (Sartori, 1987, p. 156) He described democracy first as an electoral polyarchy, then as "*a [selective] polyarchy of merit*" (p. 169), and finally, as a non-autocracy.

Dahl's elements of freedom and equality, along with Sartori's responsiveness and accountability, later translated into the debate on QOD in the early 2000s. But before this transition can be addressed, it is important to understand one particular aspect of how scholars relate democracy to QOD: in building their concepts of QOD, authors typically begin by giving, or implying a definition of democracy. These definitions are often similar and build on the two theoretical strands described above. Many of them prefer minimal concepts for reasons of clarity, but they do not always draw the line between the meaning of democracy and that of QOD.

### ***Minimal and baseline definitions***

Minimal and baseline definitions of democracy are not necessarily the same thing, although they often coincide. Minimal definitions describe the necessary conditions that a political regime must meet in order to be classified as a democracy. Baseline definitions are instrumental in nature, showing what kind of concept of democracy authors use to explain what they mean by QOD (Munck, 2014). Minimal definitions of democracy should not be understood strictly in electoral terms, although a few authors have argued more recently that there is

a useful trade-off between coverage and simplicity. For instance, Knutsen (2010) points out that the electoral criterion remains attractive for two reasons. Firstly, it is a clear baseline definition, and acts as the necessary condition that differentiates between democracy and authoritarianism. Secondly, the quality of the electoral process can be used as a simple measurement of QOD. For similar reasons, Møller and Skaaning (2010) revert to the electoral criterion in an attempt to correct democracy typologies built on more complex definitions.

Minimal definitions cover a wide spectrum. Those given by Schumpeter, Dahl and Sartori fall into a somewhat simplified category. Another simple definition is given by Bühlmann et al. (2008), who describe democracy as a regime that protects citizens against arbitrary rule, where elections function as an aggregate of people's interests. Munck (2012) and Knutsen (2010) prefer the electoral criterion, defining democracy as a political system where high government offices are accessed through free and fair elections. Morlino (2004a), who has written extensively on QOD, takes a more inclusive approach to the minimal definition. In his view, democracy requires at least the following elements: universal adult suffrage, regular, free and competitive elections, more than one political party and more than one source of information. Andreev (2005) takes Dahl's polyarchy as the basis of his definition, describing the following conditions for democracy: a self-governing polity, free and fair elections, elected officials, democratic constitution, freedom of expression, alternative sources of information and associational autonomy.

If minimal definitions describe the necessary characteristics of democracy, what is the role of baseline definitions? Munck (2014) explains that, often, when scholars discuss QOD, they focus on the conditions of quality and do not state clearly what they mean by democracy. The meaning is either implied, or relegated to more generic terms, such as stable democracy or electoral democracy. This is likely to create confusion between the concepts of democracy and QOD (i.e., what are the conditions of democracy, and what are the conditions of *good* democracy?) Making baseline definitions explicit helps differentiate between the two.

For many of the authors mentioned above, minimal and baseline definitions coincide, as minimal definitions of democracy are made explicit. However, a number of other authors writing on QOD do not state outright what they mean by democracy. For instance, Lijphart's influential *Patterns of Democracy* (1999) is concerned with describing typologies rather than making sense of a definitional debate. Lijphart largely subscribes to Dahl's conception of polyarchy, built around political rights and civil liberties, but takes an institutional

approach to describe two models of democracy - majoritarian and consensus. Other scholars use more general terms, such as established democracy (Bühlmann et al., 2011a) electoral democracy (Munck, 2012) or formal/institutional democracy (Roberts, 2009).

### **2.1.2. What is the quality of democracy?**

#### ***The meanings of quality***

As with the case of democracy, there are many approaches in literature to how quality should be defined, and sometimes this too is addressed in ambiguous terms. For instance, Dahl (1989) does not directly specify the meaning of quality in his concept of polyarchy, but he points out that polyarchy is an ideal type regime which cannot be fully achieved in practice. Rather than defining quality as such, he describes a number of conditions which, when in place, generally ensure democratic stability. Under these conditions: (1) regular, free and fair elections provide a way to elect or remove officials peacefully; (2) these officials have the effective power to govern; (3) there is universal adult suffrage; (4) civil and political rights are safeguarded (particularly the right to express criticism of the government); (5) citizens have the right to free association; and (6) they have access to alternative sources of information.

In a similar approach, Lijphart (1999) describes quality as the degree to which a stable regime approximates a perfect democracy and the policies associated with stable democracies. Altman and Pérez-Liñán (2002) similarly take quality to mean the extent to which a polyarchy actualizes its potential as a political regime. Andreev (2005) understands quality in terms of regime stability and how well it conforms to the principles of competition, participation, representation, equality and accountability. For Ringen (2007), it reflects the extent to which a democratic polity promotes and protects freedom, as the central purpose of democracy. Bühlmann et al. (2011a) see quality as the degree to which a regime fulfils the three core concepts of liberal and participatory democracy: freedom, equality and control. Roberts (2009) examines QOD in the specific context of CEE countries and defines it as the strength of citizens' control over politicians. These definitions all emphasize different aspects of democratic rule, but have two points in common: they reference degrees, and emphasize freedom, equality and control as three essential elements of QOD.

In a more systematic attempt at an empirical analysis, Morlino (2004a) asks: what is a good democracy? His minimal definition excludes electoral and defective democracies from being classified as good democracies. In addition, he argues against the inclusion of delegative democracy, from a perspective similar to Pasquino's criticism of Schumpeter's classical definition: while in theory it meets the minimal conditions of a democracy, in practice citizens delegate the process of decision-making through elections, but have no means to maintain checks on the performance of elected officials between elections.

Morlino distinguishes between three dimensions of quality. First, there is quality at the level of procedure, whereby democratic processes happen according to precise methods and timing. Secondly, there is quality at the level of content, pertaining to the characteristics and functions of democracy. Thirdly, there is quality at the level of performance, where citizens express their level of satisfaction with democratic processes. The result of examining QOD from this threefold perspective is Morlino's definition of a good democracy: a stable institutional arrangement that ensures the freedom and equality of citizens through the legitimate and correct functioning of its institutions. In terms of outcomes, a good democracy meets most of its citizens' needs and, consequently, enjoys wide legitimacy. In terms of content, it ensures high levels of freedom and equality for its citizens and organizations. In terms of procedure, there is genuine accountability on the part of political actors, and their decision-making processes reflect the demands and preferences of citizens.

Interestingly, a wide concept of 'bad' democracy is not similarly formalized. While scholars of QOD usually define good democracy in relation to an ideal form, they refer to faulty democracies by describing their different defects, thus creating typologies of incomplete, or defective democracies.

### ***Democracy 'with adjectives': defects and their typologies***

Writing extensively on the nature of QOD, Leonardo Morlino and Larry Diamond provide a useful empirical approach for analyzing both 'good' and 'bad' democracies (Morlino, 2004b; Diamond and Morlino, 2004). They explain that QOD may be approached in two ways: in an effective democracy (democracy from above), accountability and the rule of law are *a priori* guarantees of quality. In a responsive democracy (democracy from below), citizens' assessment of decision-making processes is the most important feature. Based on this classification, QOD may vary on two of the procedure-content-performance dimensions of quality. On a procedural level, quality can be measured in terms

of rule of law, accountability and responsiveness. There is a complementary relationship between these, with accountability and the rule of law providing the basis for examining responsiveness. In theory, responsiveness should translate into appropriate public policies provided to citizens according to their demands and preferences, as well as fair distribution of resources through public administration. In practice, responsiveness can be examined as an expression of legitimacy, along with citizens' level of interest in political participation. On a substantive level, variations can be observed in the respect for rights and protection of freedoms associated with democratic rule, along with the implementation of greater political, social and economic equality. There is a close relation between the procedural and substantive aspects. The latter does not make sense without the former. However, in the context of good democracies, Morlino (2004b) argues that the substantive dimension holds more sway.

Previously, I mentioned that Morlino (2004a) excludes a few typologies from the concept of good democracy. Instead, he distinguishes between quality democracies and "democracies without quality." He then describes different types of democracy based on how they vary along the procedural-substantive levels. A concept of perfect democracy is specified in Morlino's typology, but it is defined vaguely as a regime where all components of the procedural-substantive levels are present to a high degree. In more approachable terms, an effective democracy is one where a minimal democracy is reinforced by real guarantees of freedom and the implementation of equality, along with strong rule of law. Similarly, a responsive democracy is a minimal democracy in which freedom and equality are guaranteed, and there is also a high level of accountability from the government. In a fully legitimated democracy, the regime is highly responsive to citizens' demands and preferences, consequently enjoying a high degree of legitimacy.

The typology of 'democracies without quality', or 'lower quality democracies' is constructed in a similar way. At worst, regimes may be formally classified as democracies, but all substantive and procedural elements likely to improve QOD are missing. Inefficient democracies, characterized by legal systems that fail to reflect democratic values, high levels of corruption and weak accountability are more common. In democracies with low legitimacy, citizens can hold relatively regular protests, causing governments to respond by limiting rights and freedoms. Unequal democracies are regimes where economic policies routinely disregard problems with social welfare, resulting in wide socio-economic gaps between different groups.

Already this shows how increasingly complex definitions of democracy have resulted in the creation of widely diverse categories. Attempts to re-conceptualize democracy by moving away from the democracy-autocracy dichotomy towards a scale have given rise to contradictory goals (Collier and Levitsky, 1997): to increase conceptual differentiation in order to capture more forms of democracy; or to employ conceptual stretching, by applying definitions of democracy to countries that exhibit features that would not qualify them as such. The result, Collier and Levitsky explain, is that, presently, hundreds of adjectives can be attached to the concept of democracy. The inherent disadvantage of such great variety is that it is difficult to manage, and the authors suggest three strategies for standardizing terminology while avoiding the trap of contradictory goals.

The first is contextualizing the definition of democracy. This means that the definition should be adapted when applying it to atypical cases, often by introducing new criteria to establish the cut-off point between the categories of democracy and non-democracy. The second strategy involves shifting between overarching concepts related to democracy. The common association between democracy and the overarching concept of political regime has gradually given way to the idea that it can also be related to other basic concepts, such as governance, society and state. Collier and Levitsky argue that combining democracy with these concepts may yield different typologies. Thus, shifting between overarching concepts helps avoid stretching the definition, but without necessarily sacrificing analytical diversity. Finally, a third strategy involves forming sub-types: creating derivative types by adding defining attributes to democracy in order to adapt the concept to a new standard when there is a discrepancy between commonly accepted definitions and empirical evidence from a specific case.

With regards to established democracies, Collier and Levitsky adopt an approach similar to Morlino's: these cases can be described on a scale running from the minimalism of inclusive suffrage and reasonably competitive elections, to an expanded concept that also incorporates socio-economic equality and high levels of citizenship participation. With flawed democracies, the issue is that such regimes are generally seen as democratic, but differ in terms of what, precisely, makes them flawed. In this case, the concern is emphasizing the problematic element. This leads to categories such as low intensity democracies (low participation), low-income democracies (difficult socio-economic conditions), neocolonial democracies (weak national sovereignty) and so on. Where the

source of the flaw is not clear, a wider concept of incomplete or problematic democracy can be used.

By now, flawed democracies are already making a consistent appearance in the debate. The problem remains that, as categories, they are constructed along similar lines to established democracies, and are similarly difficult to manage. This is the point where embeddedness comes into the picture

### **2.1.3. Democratic embeddedness**

Over the past decade, Freedom House reports have been the go-to source for systematic, easily quantifiable measurements of democracy. However, Wolfgang Merkel (2004) criticizes Freedom House's democracy scores by explaining that its minimal requirement for countries to be classified as democracies is to have free, fair and regular elections. Freedom House's minimal definition comes closest to Schumpeter's, in that it both maintains the centrality of the electoral criterion, and fails to include elements where QOD can be measured. In response to this shortcoming, Merkel proposes the concept of democratic embeddedness. It is based on the idea that stable democracies are embedded in two ways: internally, five interdependent partial regimes create the conditions for the proper functioning of democracy. These are: (1) electoral processes; (2) political rights of participation; (3) civil rights; (4) horizontal accountability; and (5) a guarantee that democratically elected representatives hold the effective power to govern. The second dimension, external embeddedness, reinforces the five partial regimes and protects democracy against destabilizing factors. The three elements of external embeddedness are socio-economic conditions, civil society and international integration.

The logic of internal embeddedness rests on interdependence. Thus, universal active suffrage together with free and fair elections is the feature that distinguishes democracies from authoritarian regimes. However, this is a necessary condition for a minimal concept of democracy and does not say anything about its degree of consolidation. The minimal condition for embedded democracies requires that the electoral regime be connected to political and civil rights, which guarantee the pre-conditions for elections, rule of law and the public's control that ensures the continuous accountability of officials between elections. The latter is further reinforced by the remaining two partial regimes, which ensure that there is an effective system of checks and balances, and that no extra-constitutional actors hold the effective power to govern.

Internal embeddedness describes the political and institutional factors that determine the quality of an established democracy. However, while damage to these partial regimes results in different types of defects that reduce the quality of consolidated democracy, it is the elements of external embeddedness that define a wider set of conditions which protect democracy. The three elements of external embeddedness are not themselves direct sources of deconsolidation. In the first sphere, a developed economy, fair distribution of resources and the pluralization of social structure create a favorable environment for democracy and can help improve its quality. In the second sphere, the role of civil society is to ensure that citizens are protected from the arbitrary use of state power, to support the rule of law and balance of powers, and to cultivate a political culture that aligns with the core values of democracy. Finally, international integration helps consolidate democracy by disseminating good practices and facilitating social learning. In sum, the concept of embedded democracy means that the stronger, more consolidated external embeddedness is, the better it protects the partial regimes of democracy from destabilizing factors. The tighter the interdependence between these partial regimes, the more stable internal embeddedness becomes. The reverse is also true – and here is the point where defective democracies are addressed.

Starting from the partial regimes of internal embeddedness, Merkel describes five types of defective democracies, depending on which of these regimes is weakest. Thus, in exclusive democracies, one or more segments of the population are excluded from the right of universal suffrage. In domain democracies, ‘veto powers’ (entrepreneurs, the military, or multi-national corporations) remove one or more political domains from the hands of democratically elected representatives. In illiberal democracies, the rule of law is damaged, civil rights are partially suspended and the judiciary has limited control over the executive and legislative. Finally, delegative democracies (which Morlino classified earlier as democracies without quality) are regimes where the system of checks and balances is damaged and the legislative and judiciary branches have little control over the executive.

Merkel’s concept of embeddedness is attractive for two reasons. Firstly, it builds consistently on previous research, reflecting the principles of freedom, equality and control which emerge as a common theme throughout much of the literature on QOD since the early 2000s. Not only that, but embeddedness is specifically built as a means to counter the shortcomings of Freedom House’s widely employed measurement. Secondly, embeddedness is not simply a



concept, but comes equipped with its own index: the Democracy Barometer is one of the more recent developments in measuring democratic quality, and has the potential to challenge Freedom House and other standards in the field.

Briefly, the Democracy Barometer attempts to move away from minimalist, electoral-based concepts of democracy, towards a wider concept which incorporates both liberal and participatory ideas of democracy. It is conceived as a stepwise process of reflecting freedom, equality and control, each being then disaggregated into measurable indicators (Bühlmann et. al, 2011a; 2011b). For reasons of both clarity and coverage, I adopt Merkel's concept of democratic embeddedness as the way to describe and measure QOD in this study, and address deconsolidation as a product of weak external embeddedness. However, the model is not without flaws or inconsistencies, particularly in the sphere of internal embeddedness, where the way interdependence works may need to be reconsidered. Several of these problems are discussed in the following section, before proceeding with the operationalization of embeddedness.

The most important source of criticism for embeddedness comes from Møller and Skaaning (2010), who suggest that there is a major error in how Merkel builds his typologies of flawed democracies. Each type of defective democracy is defined by the attribute, or partial regime, that it lacks. However, although Merkel emphasizes the interdependence of the five elements of internal embeddedness, he gives priority to the electoral partial regime as the most basic characteristic that distinguishes democracy from authoritarianism. In addition to this point, Merkel's reasoning has several other inconsistencies. Firstly, this system does not come with clear guidelines on how to distinguish between defective democracies and autocracies. Secondly, some sub-components are linked to more than one partial regime (for instance participation or the independence of the judiciary), so in practice this makes it difficult to explain exactly how different partial regimes are affected. Thirdly, the definition of exclusive democracy does not correspond to the general definition of defective democracy, which was defined as a political regime with well-functioning elections but defective on one or more of the other aspects of internal embeddedness. Exclusive democracies are regimes that limit the electoral rights of certain segments of the population, and therefore are most affected at the level of the electoral partial regime.

The most significant of these flaws is that the typology of defective democracies does not correspond precisely to the partial regimes described in

the frame of internal embeddedness. There are five partial regimes and only four types of defective democracies. Møller and Skaaning make a good point in explaining that Merkel's internal embeddedness is a radial concept - a collection of partial regimes that are not only interdependent, as Merkel emphasizes, but also hierarchical, which he fails to address directly. The electoral regime takes precedence over all other components and is central to the concepts of embedded and defective democracy. Møller and Skaaning attempt to correct these typologies by referring to Sartori's logic whereby moving up the ladder of abstraction (Sartori, 1970, 1991), it is possible to distinguish between democracies and non-democracies in the most general terms. Systems that contain only one of Merkel's partial regimes (the electoral one) should be considered minimal, 'thin' democracies. Systems that contain all five partial regimes display the lowest level of abstraction and should be classified as liberal democracies. The criticism that Møller and Skaaning give Merkel's model brings to attention an essential aspect of examining QOD: any good instrument for assessing it should be able to reflect the concept accurately.

#### **2.1.4. Embeddedness and deconsolidation: conditions versus causes**

In his 2004 article introducing the embeddedness model, Merkel differentiates between the causes of defective democracies, and the conditions that prevent or facilitate the loss of QOD. The latter are part of external embeddedness and, as explained previously, are not directly responsible, but rather make up the environment that reinforce or hinder particular conditions that may produce deconsolidation over time. The former are such factors that act directly upon QOD, and differ depending on the case or time period that are being examined.

In Table 2.1., the left-hand column shows the three conditions of QOD decline (Merkel, 2004, p. 44-48) and the right-hand column lists the conditions of QOD decline (Merkel, 2004, p. 52-54). The two sides are connected, both conceptually and empirically. In two cases - civil society and international integration - they overlap entirely. However, in most situations the link between the two is found in how conditions act as more general categories, to which specific causes can be subsumed.

**Table 2.1. Conditions and causes of democratic decline**

<b>CONDITIONS OF DEMOCRATIC DECLINE (EXTERNAL EMBEDDEDNESS)</b>	<b>CAUSES OF DEMOCRATIC DECLINE</b>
Socio-economic context	Path and level of modernization
Civil society	Economic trends
International integration	Social capital
	Civil society
	State and nation building
	Type of authoritarian predecessor regime
	Mode of transition
	Political institutions
	International and regional context

Linking conditions and causes in this way has two important implications. On a conceptual level, Merkel discusses the two terms in detail and provides concrete ways to operationalize and measure them, but stops short of clarifying how they are connected. In other words, he explains that conditions provide a diffuse environment, while causes are forces that affect QOD directly, but does not specify that the latter actually originate in the former. Along this line of reasoning, the second, empirical implication is that causes may differ on a case-by-case basis, but conditions can be examined across multiple cases. This is particularly valuable when conducting research on a regional level, whether or not the countries under consideration share certain characteristics<sup>4</sup>. In CEE countries, transition and accession provided a common background, but the way these processes were experienced, as well as the evolution of QOD, have been quite different. Therefore, focusing on conditions over causes is useful for understanding QOD trends, rather than these individual experiences. This is the framework through which the first research question of this study is addressed

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<sup>4</sup> Using external embeddedness in this way is also valuable for regional-level studies where cases do not share as close a historical context as CEE countries. For example, replicating this research to include all 28 EU member-states will likely reveal more background differences than similarities. However, when used in combination with methodological approaches, such as set theory, that allow cases to be grouped according to certain characteristics, external embeddedness is a useful tool for categorizing countries in relation to changes in QOD.

empirically in Chapter 4. Later, in Chapter 5, causes of democratic deconsolidation are also addressed in individual countries.

Table 2.2 illustrates the connection between the conditions and causes described by Wolfgang Merkel, and the specific factors associated with each condition, which are likely to produce deconsolidation over time. The latter also act as concrete ways to operationalize the causes of deconsolidation. As the first two columns show, there is a complete overlap between conditions and causes in the case of international integration, while the socio-economic context is more detailed. There are also two conditions - institutions and historical context - which are not included in external embeddedness, but can be extrapolated by grouping remaining conditions together.

**Table 2.2. Linking causes and conditions**

CONDITIONS	CAUSES	DECONSOLIDATION INDICATORS
Socio-economic context	1. Path to modernization	1.a. Socio-economic modernization occurred along semi-modern paths 1.b. Property owners view democracy as a threat to their economic and political interests
	2. Level of modernization	2.a. Lower levels of socio-economic development 2.b. Unequal distribution of economic, cultural and intellectual resources, resulting in unequal access to resources for action among different political actors
	3. Economic trends	3.a. Economic crises as a means to institutionalize defects in unconsolidated democracies
	4. Social capital	4.a. Social capital historically accumulated along ethnic and religious lines
Civil society	5. Civil society	5.a. Lack of interpersonal trust 5.b. Civil society organized along ethnic cleavages, contributing to the polarization of society

International integration	6. International integration	6.a. Weak or absent regional mechanisms to secure liberal democratic institutions
Institutions (not part of external embeddedness)	7. State and nation-building	7.a. Possibility of secession 7.b. Discrimination against minorities
	8. Political institutions	8.a. Informal institutional arrangements inherited from previous regime (corruption, clientelism, patrimonialism)
Historical context (not part of external embeddedness)	9. Type of authoritarian predecessor regime	9.a. Long-lasting totalitarian, post-totalitarian, sultanistic or neo-patrimonial predecessor regime
	10. Mode of transition	10.a. Non-negotiated transition (systemic changes steered from above or forced from below)

There are two points of interest here. Firstly, the overlap between conditions and causes in the case of civil society and international integration means that the factors listed in the third column could be used to help operationalize the conditions themselves. Merkel already suggests some ways of doing this in his original discussion of external embeddedness (see section 2.1.3 of this chapter). However, making civil society and international integration measurable is rather complicated in practice, because the concepts are more diffuse compared to the socio-economic context and thus, the three dimensions of external embeddedness are difficult to align in a compatible way. It may be tempting to use indicators 5.a., 5.b. and 6.a. in the table, based on the condition-cause overlap, but this is not consistent with how Merkel conceptualizes civil society and international integration.

The second point of interest is that the embeddedness model leaves out the institutional and historical contexts, which also yield potential causes of deconsolidation. It is not immediately clear why Merkel excludes these from external embeddedness, since they too are rather diffuse and can be examined across multiple cases. A plausible explanation is that Merkel limits the historical context to post-authoritarian states which experienced some form of transition to democracy (concretely, CEE and Latin America). If the embeddedness model is indeed designed to have wide applicability, then the historical context would also need to be expanded to make room for more diverse cases. The institutional

context is in a similar situation: it singles out conditions that are more common in younger, post-authoritarian democracies. Yet, even in their more limited form, the two conditions cannot be entirely excluded from the analysis.

The problem of operationalization, however, persists. In Table 2.2., operationalization takes place when moving from the second to the third column, but deriving diffuse conditions from specific causes requires a turn in the opposite direction. Furthermore, while Merkel proposes ways to operationalize the socio-economic context, civil society and international integration in ways that do not overlap with how conditions are operationalized, he does not do so for the institutional and historical contexts. One possible solution to the discrepancy is to treat these as background conditions that cannot be integrated into the same analytical step as the original three, and examine them separately, in a more descriptive way. Another is to follow an inductive logic and derive a 'thin' condition in which the corresponding indicators, such as the possibility of secession, discrimination against minorities and informal institutional arrangements, could conceivably be found. In this study, I apply the first solution to the historical context, and the second to the institutional context where, loosely, the common theme is the existence of societal cleavages. Based on this, I propose operationalizing this condition through the lens of populism, as explained in the following section.

### **2.1.5. Introducing populism into the model**

The nature of the link between democracy and populism has been the subject of scholarly debate for more than two decades, and the argument is split between claims that populism is democratic at its core, and that it is potentially disruptive for democracy (Abts and Rummens, 2007). Populism, as an ideology that pits 'the people' against various categories of 'others' is not inherently anti-democratic. Pasquino (2008) argues that whether or not populism and democracy are at all compatible depends on how 'the people' are defined. He suggests that an understanding of people as 'citizens, endowed with rights and duties, but above all with the power of sovereignty that [...] *must* be exercised within the limits and forms codified in the constitution itself.' (p. 16) does not contradict the tenets of democracy, because it conceives of the people as a demos. On the other hand, when populism defines them along ethnic or socioeconomic lines, it is explicitly exclusionary because it creates concrete categories of 'others'.

In a different approach to how populism frames the people as citizens, Urbinati (1998) posits that, since populism imposes the will of the people over established institutions and social categories, it '[puts] the demos above the laws' (p. 119) and, in consequence, carries the potential to destabilize democratic rule by limiting access to political resources. The notion that populism is a pathology of democracy (Mény and Surel, 2002) has gained traction with the rise of popular support for right-wing parties in the West, and these concerns are not unsubstantiated. Although the ideological core of populism is rather loose, it nevertheless establishes the basis for drawing societal fault lines between 'the people', who are fundamentally virtuous, and 'others', elites or outsiders, seeking to deprive them of their rights, values or resources (Albertazzi and McDonnell, 2008; Laclau, 2005; Mudde, 2004; Taggart, 2004). Populist leaders further widen the rift with mainstream politics by claiming to hold the 'view from the grassroots' (Canovan, 2002, p. 27) and thus setting themselves apart from political elites, who are perceived as corrupt and self-serving.

In CEE countries, Havlik and Pinkova (2012) find that populism's success rests on several factors. Firstly, populist parties that enjoy strong electoral support tend to be exclusively populist and emerge in electoral systems that are less structured, fostering weaker ties between voters and parties. Secondly, these tend to be 'flash parties' (p. 294) that experience equally rapid electoral success and decline and, with a few notable exceptions, such as the Greater Romania Party in the early 2000s, or Hungary's Fidesz, they do not become a long-term fixture in mainstream politics. Thirdly, their voter base comprises largely of social categories that are especially vulnerable to economic transformations, whether as a result of crisis or the earlier transition to market economy.

However, the recent surge of populism is by no means exclusive to CEE countries, but rather a pan-european trend (Kessel, 2015; Merkel and Scholl, 2018). Since the early 2000s, there has been consistent link between populist success, reflected in the voter shares in national elections, and the supply of credible populist options, along with perceived unresponsiveness from established parties (Kessel, 2015, p. 173-175) However, there does not seem to be a clear separation between CEE and Western democracies in terms of which conditions explain populist success. For example, the success of populism in countries that were hit particularly hard by the financial crisis is related, in addition to economic hardships, to perceived corruption, a high degree of nativist sentiments, and Euroscepticism in Hungary, Greece, Slovakia and Italy.

But the reverse does not hold true: successful populist parties were also found in low-corruption, Europhile countries like Denmark, Belgium and Norway. Van Kessel explains that, in these cases, the success can be attributed to their ability to appeal to a niche of dissatisfied voters, rather than go for wider support. Trust in political institutions similarly fails to draw a clear regional boundary. Populist parties have performed well in both low-trust countries like Poland, Romania and Bulgaria, and in countries such as Denmark, Switzerland or the Netherlands, where public trust in institutions is higher.

So how does populism fit into external embeddedness? First of all, its addition is theoretically sound in a more general sense: the embeddedness model was not specifically designed with CEE (or post-authoritarian) countries in mind. If populism had been exclusive to these, including it would have made the model more regionally-bound than general. As it is, there is evidence that, at least within Europe, it would remain widely applicable. Secondly, discrimination against minorities and the possibility of secession (indicators 7.a-7.b in Table 2.2.) are consistent with exclusionary definitions of ‘others’, particularly along ethnic and cultural lines. Informal institutional arrangements (indicator 8.a) require more interpretation. Wolfgang Merkel argues that issues such as corruption and clientelism contribute negatively to QOD. But the relation between corruption and support for populism is inverse. More populism does not necessarily produce more corruption, but a higher public perception of corruption among elites is associated with declining political trust and increased electoral support for (particularly right-wing) populist parties (Ziller and Schübel, 2015). These observations can be summarized as follows: populism is more likely to find support when there is a higher perception of corruption, and it is more likely to foster discrimination and secessionist tendencies.

Of course, the mere existence of public support for populism is not a guarantee that these will occur - nor that QOD will decline in the short term. For one thing, fringe support for populism is not uncommon, in CEE or elsewhere. For another, even if populist parties participate in the legislative process, they may not have enough power to implement the policies they advocate. However, the potential for influencing legislation once a populist party garners enough support to enter a country’s legislative body. The operationalization of populism, along with the other three conditions of external embeddedness, is described below.



### **2.1.6. Operationalization of conditions**

There are, unfortunately, few empirical studies using embeddedness to draw on for operationalization. For example, Tolstrup (2009) uses internal embeddedness to study the impact of Russia's foreign policy on regional stability by tracking the changes it causes in the performance of the five interrelated partial regimes. Similarly, Wetzels and Orbie (2011) use internal embeddedness to unpack the EU's strategies of democracy promotion by looking at the specific partial regimes being targeted. Neither of these studies, however, attempts to operationalize the conditions of external embeddedness. It is only in Bühlmann's (2011) research on the crises and success stories of QOD evolution since the early 1990s that some useful points of departure can be found.

Of the three original conditions of external embeddedness, Bühlmann only operationalizes the socio-economic context by using GDP/capita, inflation, the Human Development Index (HDI) and globalization as indicators. The first two are relatively straightforward, if simplistic, measurements of an economy's size and stability. A higher GDP/capita and lower inflation are hypothesized to have a positive impact on QOD. Higher HDI, which comprises of the Gini coefficient of income distribution, level of education and life expectancy, is expected to have a similarly positive effect. Globalization combines economic flows and trade restriction to determine how open an economy is. But the argument that more economic openness is likely associated with higher QOD is incongruous with empirical evidence. For instance, comparing World Bank (n.d.) data on economic openness, defined as the percentage of trade in a country's total GDP to data on QOD from the Economist Intelligence Unit (2014) shows that highly open economies such as the United Arab Emirates, Bahrain and Vietnam are also decidedly non-democratic regimes. This inconsistency aside, the positive link between economy, development and democracy is extensively documented (Lipset, 1959; Przeworski and Limongi, 1997; Li and Reuveny, 2003; Inglehart and Welzel, 2005) and Bühlmann himself finds further evidence in this direction.

Beyond the socio-economic context, Bühlmann does not operationalize the other conditions of external embeddedness. Arguably, globalization could be used as a measure of international integration, but even without the empirical discrepancy highlighted above, it is too limiting in the context of CEE-EU relations. My own approach to operationalizing external embeddedness draws on Bühlmann's with regards to the socio-economic context, but proposes a few

changes. Firstly, I break down the economic and social contexts into two separate conditions. This is, first of all, because Bühlmann's own operationalization casts the net too widely and includes a few indicators that do not reveal much with specific regard to CEE countries. For instance, HDI includes life expectancy and level of education, in addition to the Gini coefficient, but these two do not vary greatly across CEE countries, and do not indicate any significant differences compared to the EU average (Eurostat 2017c, 2018a). Therefore, while the Gini coefficient may reveal something about socio-economic inequalities, education and life expectancy do not contribute relevant information. Secondly, I have decided to treat the economic and social contexts separately because I am interested in the political consequences of the global financial crisis in the region. In order to account for these I include government public debt as a general indicator pertaining to the crisis (Schularick, 2012; Eurostat, 2016c) in addition to Bühlmann's inflation and GDP/capita. In the social sphere, I keep the Gini coefficient, and further account for the effects of the crisis through unemployment and fluctuations in the percentage of population at risk of poverty and social exclusion. Due to the diffuse character of external embeddedness, I measure each of the two conditions as averages of their respective indicators. Details, along with corresponding sources, are listed in Table 2.3.

I operationalize populism based on the idea that a populist party's ability to participate in the legislative process, regardless of the party's size, degree of electoral support or whether it is part of the government or the opposition, carries the potential of divisive societal impact, initially exercised within a democratic framework. I keep this condition deliberately wide to ensure that it is usable across multiple cases. With regards to civil society<sup>5</sup> and historical context, I choose to exclude them from this analytical step because it is difficult to operationalize them meaningfully, in line with Merkel's definitions. These conditions should be examined separately and descriptively.

International integration requires special attention. In Table 2.3 I summarize how I have chosen to measure this condition, but the reasons for this particular option can only be understood properly through a discussion of how the largely top-down relationship between the EU and CEE countries, driven by

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<sup>5</sup> A few indicators, such as the USAID civil society sustainability index, and the civil society index in Freedom House's Nations in Transit reports, are indeed available for CEE countries. But they do not reflect the dimensions of civil society laid out in the embeddedness model, and are therefore not best suited for this study.

conditionality, has changed over time to include an element of vulnerability for the EU as a democracy promoter. Part 2 of this chapter covers the topic in detail.

**Table 2.3. Operationalization of conditions**

CONDITION	OPERATIONALIZATION	SOURCES
Economic context	Average of GDP/capita, inflation and general government debt as percentage of GDP	Eurostat (2016a, 2016b, 2016c)
Social context	Average of unemployment, Gini coefficient and population at risk of poverty	Eurostat (2014, 2017a, 2017b, 2017d)
Civil society	Not operationalized for cross-case analysis; examined for individual cases	-
International integration	Bargaining power (Average of share in EU GDP, voting power in the Council and percentage of public trust in the EU)  EU vulnerability in relation to member-states. Not operationalized for cross-case analysis; examined for individual cases	Eurostat (2017e) Antonakakis et al. (2014) Eurobarometer Interactive (n.d)  -
Institutional context	Presence or absence of populist parties in the legislative body during the reference period	Van Kessel (2015) Nordsieck (2017) Havlik and Pinkova (2012)
Historical context	Not operationalized for cross-case analysis; examined for individual cases	-

## 2.2. International integration: the EU's domestic impact

Here, I begin to address the third research question from a theoretical perspective: How did the EU's domestic impact influence democratic deconsolidation in CEE? Three issues are discussed: how the EU has positioned itself as an external democratizing actor, what lessons can be drawn from the pre-accession experience about democracy promotion in CEE, and how the nature of the EU-CEE member states relationship has changed after accession. At the end of this part, I propose to operationalize the EU-CEE relation in a way that reflects these changes.

For nearly six decades, the EU has defined its identity as an external actor along two dimensions: inclusionary, as a community of shared values, and exclusionary, through conditioned membership to an 'exclusive club'. (Bretherton and Volger, 2006). The legal basis establishing how the EU operates in relation to external actors has expanded from defining the EU vis-à-vis third countries in the 1950s, to describing the conditions and procedures for membership in the 1990s, and reflects this dual position. In its initial incarnation, the European Union established its position as an external policy actor<sup>6</sup> through Article 310 of the Treaty establishing the European Communities (1957), which stipulated that *'[the] Community may conclude with one or more States or international organisations agreements establishing an association involving reciprocal rights and obligations, common action and special procedure.'* The turn towards an inclusionary identity was defined in the Treaty on European Union (TEU), Treaty on the Functioning of the European Union (TFEU) and the Charter of Fundamental Rights of the European Union (EUCFR) which mainly refer to European citizenship and the rights it entails. These treaties introduced significant innovations that transcend the Community's initial goal of establishing security and economic cooperation among its members (Grabbe, 2002). They prescribe that persons who are nationals of a member-state also hold (complementary) EU citizenship, which includes the right of free movement

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<sup>6</sup> In a comparative study of how major international actors, such as the EU, China, Russia and the United States, position themselves in relation to third countries, Zielonka (2011) finds that the EU's practice of foreign policy differs significantly. Its strategy of promoting changes on its periphery is to incentivize neighboring countries by promising membership and market access, and supporting institutional engineering in candidate countries. By comparison, the US tends to practice regime overhaul, China uses economic development as the main incentive, and Russia intervenes via political and military channels.

and residence on the territory of other member states, the right to run and vote in municipal and European Parliament elections, the right to petition the European Parliament or the Ombudsman, and to receive diplomatic protection from the authorities of another member state while on the territory of a third country (see Table 2.4.) TEU also expanded the Union's attributes to include (1) strengthening the democratic legitimacy of its institutions; (2) improving the effectiveness of its institutions; (3) establishing an economic and monetary union; (4) developing the community's social dimension; and (5) drawing up a common foreign and security policy.

**Table 2.4. Legal basis for the EU's relation with external actors**

YEAR	TREATY/ARTICLE	ISSUES
1993	TEU Art. 6 and 49	Basis for membership: any European country that adheres to the principles of democracy, respect for human rights and rule of law
1957	TFEU Art. 18, 25	Introduces EU citizenship, including the right of residence, voting and running for office, petitioning the European Parliament and the Ombudsman, diplomatic protection in third countries
1993	TEU Art. 2, 3, 7, 9-12	
2000	EUCFR Art. 39-46	

The EU's exclusionary identity is based on Articles 6 and 49 of the Treaty on European Union, which establish the criteria for membership. Among these, stable institutions guaranteeing democracy, consolidated rule of law, human rights and protection of minorities established that democracy was a key requirement for joining the 'exclusive European club'. The long and deeply transformative accession process CEE countries entered shortly after the collapse of the Eastern Bloc was connected to this exclusionary identity through conditionality, and evolved towards the inclusionary view as guarantees of membership were secured. It is important to note that the EU did not explicitly position itself as a democratizing actor during accession, but focused instead on securing institutional and socio-economic alignment between the candidates and older member-states.

As exclusionary factors, the channels of conditionality are easier to document and measure, compared to the EU's more diffuse, post-accession influence. This forms the crux of the problem when it comes to operationalizing domestic impact: surprisingly, the EU's relationship with CEE countries as candidates is, in analytical terms, clearer than its relationship with CEE as member states. In the following two sections, I discuss how the nature of this relationship has changed before and after the eastern enlargement, and what options are available for operationalizing the EU's domestic impact in a way compatible with the other conditions of external embeddedness.

### **2.2.1. The EU's domestic impact before accession**

Early post-accession empirical evidence on the impact of the EU in CEE are highly consistent: when the structure of incentives and sanctions was clear, the EU had a strong domestic influence, which diminished once accession was completed. Schimmelfening (2008, p. 921) finds that the key to effective reforms in the candidate countries is found at the intersection of three factors: (1) the conditional and credible offer of membership; (2) the normative consistency of enlargement decisions; and (3) low compliance costs in candidate countries. But the EU's commitment to offering membership, which originates in the EU's exclusionary dimension, gains an interesting position even earlier in the accession process, when membership negotiations are initiated and candidates begin recognizing that the risk of withdrawing membership at this point diminished significantly. Thus, rationality is the main drive behind compliance with EU requirements in the pre-accession period.

#### ***The rational dimensions of rule adoption***

Schimmelfenning and Sedelmeier (2005) discuss pre-accession compliance from an institutional perspective. They classify compliance processes according to two dimensions: likelihood of adoption, and implementation/enforcement of rules<sup>7</sup>. They also make two additional distinctions: domestic versus EU-driven compliance, and rational versus values-based motivation of domestic actors.

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<sup>7</sup> Simple legal transposition is not sufficient to indicate effective implementation

Using these elements, they describe three mechanisms of compliance: external incentives, lesson drawing, and the social learning models.

Conditionality is reflected in the external incentives model, which defines the EU’s carrot-and-stick relationship to candidates during accession. The lesson drawing model is domestic-driven, as a candidate is likely to adopt EU norms when they offer a viable solution to internal problems that are otherwise difficult to address. This is in line with an earlier approach by Dolowitz and Marsh (2000), who describe a “policy transfer continuum” running between a form of coercive compliance (in this case, conditionality) and voluntary adoption (lesson-drawing).

**Table 2.5. Alternative mechanisms of EU rule adoption before accession**

LOGIC OF RULE ADOPTION		
MAIN ACTOR IN RULE ADOPTION	Logic of consequences	
	Logic of appropriateness	
	External incentives model	Social learning
	Lesson drawing	Lesson drawing

Schimmelfennig and Sedelmeier acknowledge that, while conditionality enables a quick, formal adoption of EU rules on the domestic level, paradoxically, it is also the least effective form of compliance in the long run, because it produces little behavioural change, whereas voluntary compliance is more likely to lead to systematic and profound transformations. Nevertheless, the external incentive model is particularly useful for understanding EU-driven compliance. It is a rational bargaining system based on exchanging benefits and threats as leverage. Concretely, candidates adopt EU rules if the benefits of doing so exceed the cost of adoption. This is made possible by the fact that conditionality only enables the EU to employ a reactive strategy, whereby it rewards candidates who

have successfully implemented a required set of rules, and withholds benefits from those who fail to do so. This is meant to make candidates responsible for creating a domestic environment conducive to rule adoption, rather than placing the power of reinforcement in the hands of the EU. In this respect, one may argue that the EU also has an active function in driving rationality. However, the model assumes that, in the absence of external incentives, candidates would have no motivation to comply with EU rules.

Aside from rationality, a few other studies suggest that compliance also has a spatial and temporal dimension. Böhmelt and Freyburg (2012, 2015) ask whether candidates are more or less likely to comply with EU rules when other candidates do, and propose two arguments. Firstly, the existence of a spatial dimension implies that, in addition to the external pressure of conditionality, candidate countries are also under pressure from each other. This results in a form of competitive learning that becomes possible because candidates are granted membership in 'accession waves'. But these waves may also have a negative impact on the credibility of conditionality when the EU admits members on different levels of alignment. This enables free-riding among candidates, such that non-compliance itself becomes less costly and therefore rational. In this context, Böhmelt and Freyburg argue that candidates' patterns of compliance behavior are interdependent, but that free-riding is more likely. They propose a number of explanatory factors for the spatial dimension of compliance, such as countries' administrative capacity and membership in the same informational networks, along with the credibility of EU conditionality.

With regards to the temporal dimension of compliance, Böhmelt and Freyburg (2012) suggest that candidates' compliance patterns can be understood by examining the credibility of conditionality at different phases of the accession process. When do candidates defect? The authors determine that this is likely to happen about 1.5 years before the accession treaty is officially signed. The stage of accession is the main determinant here: candidates have strong incentives to comply with EU law before official membership, but this decreases substantially shortly before accession. In fact, Haughton (2007) finds that the EU's transformative power is at its greatest when deciding whether or not to open up negotiations, because this step is tied to the credible promise of membership. Once negotiations begin, the risk of exclusion is diminished, resulting in resistance to change and delays in implementing reforms. This has implications on the EU's ability to enact change beyond this point.



## ***The effectiveness of conditionality and its impact on democracy***

Does EU conditionality always work? Steunrnberg and Dimitrova (2007) show that certain factors must be in place to guarantee its effectiveness. Their definition of conditionality, like previous ones, emphasize rationality, but also outlines several limits of this mechanism. If the date of accession is not fixed, conditionality will only be effective if (1) membership has significant benefits; (2) the one-time benefits of non-compliance are small; and (3) the candidate is patient with regards to the lengthy time frame-of negotiations. On the other hand, if the date of accession is fixed, candidates are likely to slow down the implementation of reforms. Thus, in order to guarantee the effectiveness of conditionality beyond this point, the period between announcing accession and actual accession must be as short as possible.

Further empirical evidence from CEE countries supports the idea that rationality can undermine conditionality. For instance, Schimmelfennig and Sedelmeier (2005) identify three factors which determine whether a candidate will comply: (1) the determinacy of conditions; (2) the size and speed of rewards; (3) the credibility of threats; (4) the size of adoption costs. Conversely, the lack of credible membership offers and inconsistent use of alternative incentives rendered the EU's efforts to promote institutional changes in its neighborhood ineffective (Börzel and Lebanidze, 2017; Lehne, 2014; Schimmelfennig and Scholtz, 2008), The result is that, with a few exceptions (Moldova, Georgia, Ukraine and Tunisia), the EU is surrounded by unstable or authoritarian regimes.

What are the implications for QOD when conditionality is both credible and effective? Grabbe (2002) comments that, while the prerequisites of membership are clear, some are too general and difficult to assess. The Copenhagen criteria, established in 1993, stipulate that candidates are required to have a consolidated market economy and the capacity to cope with competition and market pressures within the EU, and that they must be able to take on the obligations of membership and adherence to the aims of political, economic and monetary union. They also establish that candidates must have stable institutions guaranteeing democracy, the rule of law, human rights and the protection of minorities.

The broadness of these latter category makes it difficult to link conditionality to changes in QOD in the pre-accession period. The limited number of studies that attempt to do so provide somewhat contradictory

evidence. A few scholars indicate that conditionality acting in tandem with domestic factors, such as the size of economy and significantly diminished authoritarian legacies, led to a gradual improvement of QOD. (Schimmelfennig, 2004; Gherghina, 2009; Mendelski, 2009). Noutcheva and Bechev (2008) also note that conditionality had a noticeable impact in Bulgaria and Romania, the EU's 'successful laggards', where delaying accession provided a credible sanctions for speeding up reforms in areas such as the quality of governance, rule of law, judiciary, corruption and protection of minorities. On the other hand, Grabbe (2001) argues that the speed of reforms should not be equated with effectiveness. She notes that the EU shifted its priority from legitimacy to efficiency during the accession process, thus creating a situation where its efforts to promote democratic norms came at odds with the incentives it created. This contradiction resulted from the fact that, while the EU promoted the involvement of political institutions outside the executive to help implement the *acquis*, the incentives and constraints of the accession process concerned the executive. In shifting its bias from legitimacy to efficiency, Grabbe observes that, in a sense, the EU exported its democratic deficit to CEECs. This argument finds support with Pridham (2008), Goetz (2005) and Zielonka (2007), who show that CEE governments created legal and institutional structures to conform to EU rules only superficially, while national parliaments were the great losers of the integration process.

Overall, conditionality has been more effective in aligning CEE candidates with the requirements of the *Acquis* in the short-term, rather than producing systemic changes that carried over into QOD to produce positive effects. In fact, evidence to the contrary seems stronger, particularly where the system of checks and balances, which the accession process tipped in favor of the executive, is concerned. The democratic character of CEE countries at the point where they joined the EU was not in question - at least in the case of the 2004 enlargement wave. But the immediate and widespread decline of QOD that followed their successful accession (See Table 1.1) raises concerns about the nature of the EU's safeguard to preserve democracy, one of its core values, from within.

Arguably, the decline of QOD can be explained through the same lens of rationality as pre-accession rule adoption: with the guarantee of membership locked in, the costs of compliance exceed its benefits. But the nature of non-compliance with specific EU norms, and the failure to stabilize QOD are quite different. For one thing, if allowed to continue long-term, the latter has much

more serious implications across virtually every level of politics and society. For another, the EU has the legal capacity to sanction non-compliance, but it is ill-equipped to deal with democratic deconsolidation on its own turf. In the following section, I discuss the nature and effectiveness of the limited tools it can use to prevent this trend, and how they can be used to operationalize the EU's domestic impact after accession.

### **2.2.2. Defining the EU's post-accession impact: from clear instruments to a diffuse concept**

Research on post-accession compliance is sparser, but it has produced some robust explanations. It should be noted at this point that the post-accession concept of compliance may be somewhat confusing. When studying compliance, scholars actually examine two different mechanisms: infringement and transposition records (Sedelmeier, 2008; Angelova et al., 2012). The carrot-and-stick mechanism is no longer in place, and sanctions for non-compliance have moved into the sphere of the European Commission's infringement procedures, which distinguish between three types of non-compliance: nonconformity, non-transposition and bad application. Although literature on compliance has produced somewhat contradictory results on the factors that enhance or hinder it, Angelova et al. (2012) find particularly robust evidence across 37 studies on compliance for two arguments: goodness of fit, and institutional decision-making capacity. Thus, compliance is enhanced by the similarity between the goals of a directive and existing national regulation. Institutional decision-making capacity is influenced by the number of veto players, federalism and the effective number of parties. In short, the fewer interest groups may dispute the implementation of a directive, the more likely it is to be implemented. Other factors found to be moderately robust, both theoretically and across case studies, include the complexity of the directive, administrative capabilities, corruption and political culture. In addition, Gherghina and Soare (2016) find that the distance from the moment of accession is also an explanatory variable for compliance problems.

The main assumption behind the rational model of compliance, that the change in incentive structure once conditionality is retired would result in weakening post-accession compliance with EU law, did not find immediate support in the post-accession period. On the contrary, Sedelmeier (2008) reports that CEE countries initially out-performed the older EU members in terms of legal transposition, and there had fewer cases of infringement, which were resolved comparatively faster and in the earlier stages of settlement. He concludes that

enlargement had not produced an 'Eastern problem', as assumed by the rational approach. However, despite such optimistic evidence, transposition and infringement are unsuitable for measuring the EU's domestic impact on QOD. From a theoretical point of view, the two concepts do not intersect significantly with QOD. Some of the policy areas in which they can be observed, such as justice or employment and social affairs, can arguably be included in a (maximalist) definition of QOD. But the majority of areas in which the EU is able to legislate are concentrated towards economic and trade issues. The EU has exclusive competences in legislating trade, monetary policy and competition rules for the Eurozone and single market, and shares attributions with national governments in other fields, such as environment, research, energy and public health (The European Commission, n.d.) Thus, looking to transposition and infringement as potential tools for measuring the EU's domestic impact does not reveal any significant information about the state of QOD.

A more useful approach is to return to the concept of democratic deficit, which, Grabbe (2001) observes, has been inadvertently exported from the EU to CEE candidates in the accession process. In its original form, this deficit refers to the disconnection between citizens of the EU, and the democratic decision-making process, whose complexity renders it inaccessible to the public. Grabbe applies the term to the 'executive bias' that accession imposed in domestic politics. Timely reforms led to a concentration of resources in a strong, centralized executive at the expense of national parliaments, thus limiting the decision-making power of elected representatives. More recently, Kelemen and Blauburger (2017) put forward another interpretation of democratic deficit as a bottom-up phenomenon that puts the EU in a precarious position where it struggles to respond to democratic deconsolidation in its member states due to the lack of suitable legal instruments.

### **2.2.3. Ad-hoc and 'designer' instruments against deconsolidation**

Concerns about securing democracy in the Union date back to the 1980s, but they became particularly salient after the EU expanded to include a large number of post-communist countries (Sedelmeier, 2014; Wallace, 1996; Gherghina and Soare, 2016; Sadurski, 2012). The problem is that the EU does not yet have any instruments designed to prevent democratic deconsolidation, and those it has attempted to use in the past have fallen short of their goal. For example, the EU has the option of activating Article 7 of TEU in cases when a member state persistently breaches the EU's core values - among which, democracy and the

rule of law. But the procedure for identifying such breaches is difficult: initiating the procedure requires a proposal by either one third of the member states, or the Commission, the consent of the European Parliament, and unanimity from the European Council before it can proceed.

A few alternative instruments for sanctioning deconsolidation have been developed more recently, including social pressure, issue linking, and infringement procedures against non-compliance with issues specified in Article 2 of TEU, which reaffirms democracy as one of the EU's core values. Social pressure comprises of micro-processes meant to produce conforming behaviour through the social distribution of rewards and punishments (Johnston, 2001, p. 499) One particular shortcoming of this 'naming and shaming' approach is that both benefits and sanctions are rather immaterial - status, a sense of belonging, shunning or social exclusion. Johnston argues that, in order for the mechanism to be effective, a targeted actors should identify strongly with the group. Similarly, Sedelmeier (2014) hypothesizes that social pressure is only effective by itself if the target government perceives the EU's demands as legitimate, while material leverage, which mirrors pre-accession conditionality may be more effective. Indeed, since rationality has dominated the behavior of CEE countries both before and after accession, social pressure alone has failed to produce concrete results when stacked up against more substantial benefits and sanctions.

The EU was able to use social pressure successfully only in combination with infringement procedures and issue linking against democratic backsliding in Romania and Hungary, concerning areas of judiciary independence, corruption, media law and data protection. Issue linking is a form of conditionality that increases the EU's leverage over non-compliant member states by threatening to withhold material benefits related to other issues. This, argues Sedelmeier, can have a significant impact if the target state has strong preferences for an agreement in a certain policy areas. Bulgaria and Romania illustrate the successful use of issue linking, which connected the promise of Schengen membership with progress of judicial reforms and anti-corruption efforts monitored through the Cooperation and Verification Mechanism (CVM). This mechanism was also used in Hungary when, in 2012, a substantial IMF loan was conditioned by the re-establishment of the central bank's independence. This approach was more successful compared to the EU's other domestic interventions in Hungary (Iusmen, 2014).

The EU is also able to use a general infringement procedure stipulated in Articles 258 and 260 of the TFEU, targeting cases of non-compliance with Articles

2 and 7 of TEU. This procedure has two steps: firstly, if the Commission finds evidence that a member state has committed a breach, it will require said state to take the necessary steps to resume compliance. If the member state fails to do so, the Commission will refer the case to the European Court of Justice, which may then impose financial sanctions (Börzel, 2001). In this form, infringement was applied in Hungary, along with issue linking, in 2012.

Several scholars argue that the EU resorts to these ad-hoc instruments, which reflect the logic of pre-accession conditionality to various degrees, because it is reluctant to make use of Article 7 of TEU. (Gherghina and Soare, 2016; Kochenov and Pech, 2016, Sedelmeier, 2017). According to the article, if evidence of persistent breaching of the values laid out in Article 2 of TEU is found, and all procedural requirements for imposing sanctions are met, the Council may suspend *'certain of the rights deriving from the application of the Treaties to the Member State in question, including the voting rights of the representative of the government of that Member State in the Council.'* If the member state takes appropriate measures to remedy the situation, these sanctions are modified or revoked.

Appropriately dubbed 'the nuclear option' by the Commission's president, José Manuel Barroso, in his 2012 State of the Union address to the European Parliament, Article 7 is seen as a last-resort solution because its activation requires unanimity in the Council. The obstacles against fulfilling this highly demanding condition are political, mainly consisting of partisanship, and concerns that isolating a member state in such a manner may have negative consequences on future cooperation within the EU (Sedelmeier, 2017).

The EU's reluctance to use Article 7 has pushed it to produce a few 'designer' instruments to mitigate the risk of deconsolidation. In 2014, the Rule of Law framework was adopted, introducing an assessment phase during which the Commission determines whether there is a credible threat of backsliding, and sends a reasoned opinion to the member state in question. A follow-up phase checks how the Commission's recommendations have been implemented and, in case of non-compliance, may trigger Article 7 (Kochenov and Pech, 2016). The EU Justice Scoreboard is a second, more moderate, option for dealing with deconsolidation was introduced in 2013, based on the social pressure approach (Sedelmeier, 2017). However, there is no evidence at the moment that these instruments are any more effective than similar past attempts to contain deconsolidation. The Rule of Law framework only adds an extra constraint to the activation of Article 7, while the Justice Scoreboard is subject to the same limitation as other approaches anchored in social pressure: if member states are

driven by a rational, rather than normative logic in their actions, then 'naming and shaming' is less likely to produce any viable changes.

Regardless of their nature or efficacy, the EU's domestic interventions have had some unintended reverberations in domestic politics. Chief among these is the fact that national governments have been able to turn these interventions into an 'us versus them' discourse (Schlipphak and Treib, 2017) that plays up the negative effects of sanctions, and claims the EU does not have sufficient legitimacy to make its demands. Indeed, if this survey of normative and legal instruments proves anything, it is that, in the post-accession era, the EU's relationship with its member states is no longer top-down, nor effectively conditional. Member states have gained bargaining power through various institutional, political and economic channels, while the EU has become vulnerable due to its failure to safeguard one of its core values - democracy.

Up to this point, the discussion has highlighted many of the shortcomings of previous attempts to operationalize the EU's domestic impact after accession. And while they have certainly been valuable in drawing up a robust body of empirical evidence for the legal aspects of (non-)compliance, it is, I believe, fairly clear at this point that they would be inconsistent with the concept of external embeddedness. Therefore, in the final part of this chapter, I propose my own operationalization, based on the more balanced two-way relationship between the EU and CEE countries in the post-accession period.

### **2.3. Operationalizing the international dimension of external embeddedness: a two-way road**

The idea of using bargaining power and vulnerability as the two dimensions of international integration originates with Way and Levitsky's 2007 article, *Linkage, Leverage and the Post-Communist Divide*, where they describe a framework for analyzing the capacity of external actors to support democratization in authoritarian regimes. According to this framework, democratic (Western) actors are able to exert domestic leverage proportional to authoritarian governments' vulnerability to external pressures. Way and Levitsky define leverage to include (1) the bargaining power of these regimes in relation to the West, or their ability to avoid Western sanctions of autocratic abuse; and (2) the potential economic and security impact of Western actors. Countries with weak bargaining power are more vulnerable to external sanctions, while stronger

bargaining power reduces external pressures. Leverage is high in the former case, and weak in the latter.

Of course, using this framework to operationalize the relationship between two democratic actors requires more than just the obvious qualifications. The concept of bargaining power is useful, in the form proposed by Way and Levitsky, as long as it operates on the assumption that democracy is always more likely to deteriorate in member states without the EU's intervention. It also assumes the EU will always act in the interest of preserving democracy. Even with substantial empirical support, the two statements are too broad, and very likely fallacious. However, they provide a valuable observation, on which I base my operationalization: where democratic deconsolidation is observed, member states and the EU act as opposite, but unequal forces. This explains why the EU, with its limited legal instruments, has been more successful in controlling deconsolidation in some cases, and not others: countries with higher bargaining power are able to ignore the threat of sanctions, or comply only partially when they can 'afford' the material costs of non-compliance; conversely, weak bargaining power makes a country more likely to comply in order to avoid sanctions.

The EU's position is a little more difficult to tease out conceptually. Certainly, it is clear that bargaining power makes it more vulnerable by reducing its options for domestic impact. This is further compounded by the lack of effective options for responding to non-compliance. Increased vulnerability should not be understood as something as drastic as putting the EU at risk of disintegration. The long process of formation, enlargement and integration on levels that go far beyond economic and political, and the high costs of leaving the EU, recently illustrated by Brexit, make it unlikely that such a disintegration will occur in the foreseeable future. Vulnerability has a specific meaning in this dissertation: the EU has demonstrated that it is ill-equipped to deal with democratic decline, and this adds another risk factor to a political and institutional environment that has already failed to live up to the optimistic expectations of the 1990s.

Similarly, measuring bargaining power is more intuitive. This is why, in Table 2.3. I include it among the operationalized conditions of external embeddedness, together with populism and the social and economic contexts, but I choose to treat vulnerability in the same way as civil society and the historical context. I propose measuring bargaining power based on three indicators. The size of a country's economy reflects the degree to which it is able to afford financial sanctions imposed either through the general infringement



procedure, or the Commission's Rule of Law framework. Additionally, it can play a role in how member states decide, based on economic ties or the prospect thereof, to cooperate or defect when voting in the Council. For this particular reason, I also use voting power for measurement. A qualified majority is the standard voting procedure in the Council, based on which approximately 80% of EU legislation is adopted. (The European Council, n.d.) It requires that two conditions are met: favorable votes from 55% of member states, representing at least 65% of the EU's population. Countries may also form a blocking minority when their vote represents more than 35% of the population. CEE countries would not be able to turn a vote around in the Council against all other members, because, even acting together, they fulfill neither of the two conditions above. Nevertheless they may be able to achieve their goals by cooperating with other members. The final component of bargaining power is an indicator of Euroscepticism, in line with Schlipphak and Treib's (2017) observation about national governments framing EU sanctions in terms of 'us versus them'. Specifically, I use Eurobarometer data negative responses to the questions 'Do you tend to trust or not trust the European Union?'

Thus, the three components of bargaining power are: the size of the economy, voting power in the Council, and level of Euroscepticism. Similar to the social and economic contexts, bargaining power is calculated as an average of the three indicators, and has an inverse relationship to democracy: higher bargaining power is expected to have a negative impact on QOD, while lower bargaining power leaves more room for the EU to intervene and potentially stabilize democracy. Much like the other conditions that have been operationalized as part of the same analytical step, bargaining power is also kept quite diffuse because in the study's first stage, following in Chapter 4, the focus is on conditions, not causal mechanisms. But there are two other reasons for this. CEE countries are smaller and less populous than their older counterparts, and have comparatively weaker economies. This is why it may appear, at this point, that none of the conditions of external embeddedness can, by itself, make a difference in how an individual member state behaves in relation to the EU, or to the threat of deconsolidation. However, I have argued here that the value of the embeddedness mode lies in how it is able to differentiate between conditions and causes, and thus enable both cross-case and within case analysis as part of the same research design. The second reason is the potential of this approach for future studies. The conditions of external embeddedness may not vary significantly among CEE countries, but they tell a vastly different story when applied to older member states with their older, and more stable democracies,

or across all 28 EU countries. It is for this particular reason that I have chosen to keep operationalization so broad.

## **2.4. Conclusions: focusing the concepts**

At different points throughout this theoretical chapter I referred to democracy in terms of backsliding, loss of QOD, or deconsolidation. In this final part, I wish to clarify how these terms will be used in the dissertation from this point on. As I explained in Chapter 1, deconsolidation is derived from the shifting paradigm regarding the contradictory evolution of democracy. It is one of the two main concepts, along with embeddedness, used in this study, but it is not treated as an umbrella term for the many other concepts and theories literature has put forward in the last decade-plus to explain why democracy currently behaves as it does. I chose to use deconsolidation in recognition of the fact that the state of democracy has become more precarious in CEE countries, but not in an abrupt or, in the beginning, even a particularly alarming way. Deconsolidation describes a sustained, long-term trend that can currently be observed in CEE over a period of nearly fifteen years, but more radical trends have been observed only a few cases (most notably Hungary and Poland). When this period is broken down into smaller intervals, as I do in the following three chapters, the trend is less consistent. In many cases, democracy improves over one or more of these short intervals, only to decline overall. This is where the quality of democracy comes in. In simple terms, I use QOD in this study to operationalize deconsolidation, but, as explained above, I do not equate QOD decline over shorter periods with deconsolidation itself. Rather, I treat their relationship in a similar way to how I described conditions and causes: deconsolidation provides the context, while QOD reveals specific causal mechanisms.

A final note on terminology: the choice of method for this study requires that both deconsolidation and its opposite phenomenon be examined because, while as outcomes they are symmetrical, their respective conditions may not be. How should this opposite trend be called? ‘Democratic consolidation’ is the obvious answer, but I suggest that it is not entirely suitable here. This is firstly because a consolidated democracy is a precondition for joining the EU and, indeed, many of the studies discussed in this chapter recognize that CEE countries had achieved this goal to a satisfactory degree at the time of accession. Secondly, if consolidation is conceptualized in the same manner as

deconsolidation - a sustained, long-term trend of QOD growth - there is virtually no evidence that it has occurred in CEE countries other than Czech Republic and the Baltic States, and even here it has been inconsistent over shorter periods of time. This is not to say, however, that further democratic consolidation is not possible in the region. If anything, it is quickly becoming necessary. But I choose not to use the term 'consolidation' in this study in order to maintain consistency between concepts and observed evidence. For this reason, I refer instead to the more general 'democratic improvement', operationalized as an observed growth of QOD.

In the following chapter, I introduce the research design and set-theoretic methodological approach used to study both these levels. I should emphasize, in advance, that the theoretical and methodological components are closely intertwined in this dissertation, because it is possible to translate embeddedness from natural into set-theoretic language. This further allows for both rigorous theory testing, and expanding Merkel's original model, if enough empirical evidence is found to support this step.

## Chapter 3

# Methodology: set-theoretic multimethod research

### 3.1. Setting the scene for case-oriented theory testing

One of the ideas this dissertation subscribes to is that, in the social world, a single explanation rarely represents reality accurately (Hesse-Biber Nagy, Rodrigues and Frost, 2016; Goertz and Mahoney, 2012; Ragin, 1987; Crabtree and Miller, 1999). The method by which reality is examined should therefore reflect this view by allowing the exploration of multiple, coexisting causal paths. With the theoretical background in place, the building blocks of these paths are clear, but their interactions and underlying mechanisms are not. With only four conditions operationalized thus far - social and economic contexts, populism and international integration - the number of explanatory configurations is small, but the approach becomes more complicated due to its nature as a cross-case study. The choice of methodological approach should, then, also address this level of case/condition complexity.

Aside from the multiplicity of explanations, two more points must be considered when choosing a method. The overarching focus of my research is to test the embeddedness model's ability to explain deconsolidation in Central and Eastern Europe. If empirical evidence suggests that some level of theory building is also required to integrate the findings, the goal is to provide a better understanding of the mechanisms linking the conditions of embeddedness to deconsolidation, rather than find additional conditions to supplement the original model. The latter has been addressed extensively in the past by literature on QOD, which found relevant conditions outside the embeddedness model: for instance, levels of education and urbanization (Neubauer, 1967), the absence of violence against marginalized groups (Schwarzmantel, 2010) institutionalized limited political uncertainty (Schmitter and Karl, 1991) and state capacity (Fortin, 2012). However, unpacking causal processes, rather than expanding the scope of conditions, is valuable for its focus on the actors and actions responsible for generating certain causal paths.

The second point is that the approach should balance out the somewhat conflicting nature of this analysis. On the one hand, finding out how theorized

conditions interact to form explanatory paths requires a degree of generalization across multiple cases. On the other hand, studying the causal mechanisms behind these explanations calls for detailed evidence that is best found by looking at individual cases. Table 3.1 summarizes the methodological issues relevant to the cross-case and within-case division.

**Table 3.1. Case-oriented methodological issues**

	<b>CROSS-CASE</b>	<b>WITHIN-CASE</b>
<b>LEVEL OF ANALYSIS</b>	Multiple (large or medium-N) cases	Single (or a few) cases
<b>FOCU OF ANALYSIS</b>	Finding multiple, coexisting causal paths	Explaining the mechanisms behind causal paths
<b>OUTCOME EXPLANATION</b>	Asymmetric explanation of outcome/absence of outcome	Specific to individual cases

Aside from the different numbers of cases used at each level of analysis, there is a difference in focus. The role of cross-case analysis is to find conditions that explain the outcome of interest, but a separate approach is needed to explain the underlying processes that link the two. Perhaps more importantly, in line with the assumption of causal complexity, is the issue of outcome symmetry. While the special focus in this analysis is on democratic deconsolidation, it is also important to address cases where QOD has improved or been stable. On a theoretical level, it may be tempting to consider the explanations for deconsolidation and improvement symmetrical, as Wolfgang Merkel himself implies with embeddedness. But in reality, cases rarely behave so neatly, and some allowances must be made for asymmetry. In other words, if a certain combination of conditions is found to explain democratic improvement in some cases, it does not automatically follow that its absence explains deconsolidation in others, and a sound methodological approach should reflect this.

The issues highlighted in Table 3.1 carry different importance for the choice of methodology. The first, regarding levels of analysis, is particularly important for technical reasons, and suggests that a multimethod approach is

best suited for moving more easily between levels. But it also dictates that methodological alignment is necessary with regards to the focus of analysis. Asymmetry should be accounted for empirically, as another reflection of complexity in explanation. In sum, three general considerations are essential for the choice of method. Firstly, and most importantly, a single method is too simplistic to allow for complexity and outcome asymmetry, so a multimethod approach is required. Secondly, understanding how conditions are linked to the outcome, and what the underlying explanatory mechanisms are, is best achieved from a qualitative perspective. And finally, empirical evidence is found in cases, multiple or individual, making this a case-oriented study. Based on these points, the discussion on methodological approach in this chapter proceeds as follows. In the next part I give an overview of set-theoretic multimethod research, the analytical tool used in this dissertation, and its roots in case-oriented qualitative methodology. I then present its two components, qualitative comparative analysis and process tracing, focusing on their respective goals and analytical steps. And finally, I discuss the potential and limitations of the set-theoretic multimethod approach for this study.

### **3.2. An overview of set-theoretic multimethod research**

Set-theoretic multimethod research (hereafter set-theoretic MMR), which combines qualitative comparative analysis (QCA) and process tracing, has recently received a lot of attention for its potential to study causal mechanisms qualitatively at different empirical levels (Beach, 2018; Beach and Rohlfing, 2018; Schneider and Rohlfing, 2013; Blatter and Haverland, 2014; Rohlfing and Schneider, 2013). However, a thorough and much-needed discussion on how to integrate the underlying assumptions of the two methodological strands has not occurred until recently. While they are both case-oriented and anchored in set-theory (Goertz and Mahoney, 2012), it is not immediately clear how they can be combined in an integrated, coherent inquiry. Rohlfing and Schneider (2018) argue that at the heart of the problem is precisely the difference between the analytical levels where QCA and process tracing operate. The former deals with multiple cases (medium or large-N), while the latter is used for within-case analysis. At first glance, this does not appear to be a significant obstacle for research design. On the contrary, it seems quite intuitive to use QCA first to uncover explanatory conditions for an outcome found in multiple cases, and then use the findings to study the mechanism in more detail through process tracing.

In practical terms, this is how set-theoretic MMR design often proceeds. But the fundamental assumptions of QCA and process tracing are not aligned by default. QCA is causal in nature to the extent that it says something about set relations, but it yields little information about the mechanisms linking the sets. Set-relations can be interpreted as causal where there is enough evidence to do so, but causation is not implicit. For example, there may be a significant overlap between the ‘economically prosperous EU members’ set and the ‘consolidated democracies’ set, but this only establishes a superficial link between democracy, socio-economic conditions and international integration. By itself, this finding does not explain the processes that connect conditions and outcomes. This is the role of process tracing, which is used to find evidence of the mechanisms within a single case. In other words, QCA provides refined, empirically supported theoretical statements, and process tracing provides the evidence, drawing on single cases.

To align the two methods, Rohlfing and Schneider use the concept of mechanisms as chains of entities and activities anchored in set-theory, developed by Machamer, Darden and Craver (2000), but suggest referring to entities and activities as actors and their behavior (Rohlfing and Schneider, 2018, p. 40). They then define causal mechanisms as chains of actors showing a certain behavior. In set-theoretic terms, each actor-behavior pair is sufficient for the occurrence of the next actor-behavior in the chain, and all actor-behavior combinations taken together are sufficient to generate the outcome. In the following parts of this chapter, I present QCA and process tracing as approaches to causal complexity, and as analytical techniques.

### **3.3. Qualitative comparative analysis**

QCA was first introduced by Charles Ragin in his 1987 book, *The Comparative Method: Moving beyond Qualitative and Quantitative Strategies*. Since then, several extensive examinations of the method (Schneider and Wagemann, 2012; Rihoux and Ragin, 2008; Ragin, 2008; Goertz and Mahoney, 2012) have emphasized the idea that QCA is not simply a data analysis technique, but a particular approach to examining social phenomena that stands apart from the typically employed qualitative and quantitative traditions. As an approach, it attempts to bridge the gap between the two in a holistic manner; as a technique it offers a way to identify complex causal relations and works in tandem with

other methods to enrich the explanatory power of these relations. The following section looks at three questions: How is QCA used to make causal inferences? What are the goals of QCA? And how is QCA comparative in nature?

### **3.3.1. QCA as approach**

#### ***A bridge between methodological traditions***

In their book, *A Tale of Two Cultures: Qualitative and Quantitative Research in the Social Sciences*, Goertz and Mahoney (2012) posit that there is a clear distinction between the two classic methodological approaches in social science research, which makes communication across these 'cultures' difficult and likely to generate misunderstandings. In the quantitative tradition, causal complexity is understood as one phenomenon having multiple causes, such that one dependent variable can be explained by multiple independent variables. On the other hand, the qualitative tradition understands causal complexity through the lens of interaction: researchers can find different combinations of conditions for one outcome. These combinations should not be interpreted as interaction terms, but as 'causal recipes' (Goertz and Mahoney, 2012, p. 57). In set-theoretic specific terms, this means that such combinations are *sufficient* to produce the outcome. Thus, rather than focusing on individual variables, this qualitative approach examines the context in which a certain condition impacts the outcome, since the impact of a condition can vary across different causal configurations.

Another key difference between the quantitative and qualitative traditions is that qualitative approaches typically use within-case analysis to make inferences about a specific case, while quantitative approaches use cross-case analysis and statistical methods to make inferences about populations. But a more careful look reveals that the scope of analysis is tied to the depth of the explanation, rather than the number of cases. This trade-off between the complexity and coverage of explanations may be addressed with the help of multimethod research designs, but the goals of qualitative and quantitative approaches remain distinct and seemingly difficult to reconcile.

A number of researchers claim that one of the strength of set-theoretic methods is that they reflect the meaning and structure of natural language (Schneider and Wagemann, 2012; Goertz, 2006) and are useful in creating typologies (George and Bennet, 2005, ch. 11; Kvist, 2006) For example, the



democratic peace theory, in its formulaic version stating that democracies do not fight each other, can easily be translated into set-theoretic terms: given the concepts 'democracy' and 'war', there should be no coincidence between cases belonging to the 'democratic countries' set and the 'countries currently at war with each other' set. Any such coincidence would offer empirical evidence that should lead to a re-examination of the theory.

The argument that one of the particular strengths of set-theoretic methods is their ability to reflect the structure of natural language has been challenged by George Lakoff (Ramzipoor, 2014), who states that the classic formulation of set-theory (crisp sets) fails to do so particularly because it does not allow for degrees of categorization, but operates with clear dichotomies where an object is either a full member of a conceptual set or fully outside of it. Lakoff also maintains that the notion of fuzzy sets as described by Ragin in his later work (2008) is similarly unsuitable for reflecting natural language. His argument is that fuzzy logic operates linearly, describing cases' degree of membership in conceptual sets (e.g. countries that differ in terms of economic prosperity) and that the different scoring intervals are themselves fixed rather than fuzzy.

Despite these differences the debate is settled on two points. The first, more general one, is that the language of logic, which set-theoretic methods employ, does not always reflect reality as we observe and conceptualize it. This has some empirical implications for the research conducted in this dissertation, which I will address in the end of this chapter. The second is that crisp sets are too limiting to be used in concept or theory formulation because they do not capture enough information to allow for anything other than superficial empirical testing. It is true that a country can either be a democracy or a non-democracy, but these categories are not very useful. More so would be to explain how (non-)democratic a country is or what kind of (non-)democracy it is. This requires a differentiation of degrees or typologies, but there is disagreement in literature on whether fuzzy sets can be used to create the latter.

The purpose of examining this debate in the context of Ragin's claim that QCA is meant to bridge the qualitative and quantitative research approaches is to emphasize the relationship between how theoretical claims are formulated, and how they are tested. Whether or not set-theory is equipped to represent concepts and theories accurately, it nevertheless reflects the linguistic structures used to formulate them. Consider, for example, a more abstract version of Merkel's claim about the relationship between internal and external embeddedness: a prosperous economy, active civil society and high degree of

international integration are conditions favorable to a stable democracy. This is already a simplified version of the relationship he postulates between democracy and the factors that protect it from destabilizing factors. But this higher degree of generality allows for an easier translation into set-theoretic terms: accounting for various degrees of membership, cases belonging to the sets of 'economically prosperous countries', 'countries with active civil societies' and 'countries that are members of international economic and political organizations' should also be found in the set of 'stable democracies'. This formulation, while somewhat awkward, clearly shows how a theory expressed verbally can be transposed into the language of logic: given theoretical expectations about the three conditions of external embeddedness and their positive impact on democratic stability, there should be some overlapping of the three conceptual sets describing the conditions, and the set describing the outcome. From here, it is possible to determine both how well the theorized model describes data, and how relevant or trivial it is in relation to empirical cases.

The lesson here is that set-theoretic methods – and QCA in particular – bridge qualitative and quantitative approaches by translating verbal theories into the language of logic, which makes them amenable both to empirical testing and the possibility of finding multiple mutually non-exclusive explanations for an outcome, which can then be used to further enrich theory. The strength of set theory does not lie simply in its ability to facilitate this translation as, indeed, the quantitative approach has a far richer history as the go-to method for empirical testing.

In sum, this section focused on two arguments. The first is that set-theoretic methods, of which QCA is the most thoroughly formalized, are not only a tool for data analysis, but also an approach to studying social reality that seeks to bridge the long-standing qualitative and quantitative traditions. Secondly, Ragin's original intention to offer QCA as a way of bridging the qualitative and quantitative traditions is not simply based on technical considerations of sample size and complexity of results. In terms of the breadth of explanation, QCA does indeed operate as a mid-point between qualitative and quantitative analysis by facilitating small- and medium-N research designs. The bridging of qualitative and quantitative traditions comes primarily from the fact that, much like the quantitative approach, QCA translates theories formulated using natural language into terms amenable for empirical testing; but unlike the quantitative approach, it allows for multiple, mutually non-exclusive explanations for an outcome, which is in line with the qualitative tradition.

## ***The goals of QCA***

In his 1987 introduction to QCA, Charles Ragin suggests that the goal of QCA is to replicate the principles of case-oriented research in a compatible mathematical framework. The takeaway point is that the misfit between statistics and the complexity of social phenomena is not automatic, but occurs when quantitative methods are applied without taking into account the wider context, which a rigorous quantitative study must address. Boolean algebra, the method's mathematical core, is meant to reflect the configurational thinking that forms the basis of the set-theoretic approach and, in addition, introduce the language of logic in an analytical system where probabilistic language is unsuitable. However, this bridging of tradition is still fairly vague on the subject of what QCA can do in practice. Revisiting the goals of QCA in more specific terms, Ragin, together with Benoît Rihoux, list five main purposes (Ragin and Rihoux, 2004, p. 6). Firstly, QCA can be used to summarize empirical data in the form of a truth table, which shows all the possible configurations of conditions and their corresponding outcome and empirical cases (see section 3.3.2. below for a more detailed explanation). In this form, QCA is simply a tool for data exploration. Based on this, a second goal is to check the coherence of data through observing whether any contradictory combinations (where cases with the same configurations of conditions exhibit different outcomes) occur. Thirdly, QCA can be used for hypothesis or theory testing. Relatedly, researchers can also use it as a way to test their own assumptions, without referring to any pre-existing hypothesis or theory. And finally, QCA can be used as a starting point for developing new theoretical assumptions in the form of hypotheses to be tested in the future.

The claim that QCA can be used for theory or hypothesis testing is particularly promising for a research design that makes causal and comparative assumptions. Theories typically make statements about the causes of a certain phenomenon, but are rarely very explicit on how these causes interact, and whether these interactions can change the way individual causes affect the outcome. A configurational approach to theory testing would thus be a good starting point for expanding theoretical statements. But despite this obvious advantage, QCA's power to test theories in practice has also been questioned. Schneider and Wagemann (2012, p. 296-305) suggest that standard hypothesis testing is not compatible with set-theoretic methods. The reason, as with other qualitative methods, is that the product of QCA is a detailed account of how the

outcome has occurred, based on empirical evidence. Since evidence is examined first, explanations follow at the end of the analysis, and so can be seen as hypotheses themselves, rather than the outcome of testing pre-existing ones.

All this is not to say that QCA cannot be used to test theories. The idea has already been proposed in the 80s by Ragin himself (1987, p. 144). But testing should be designed in a way that is compatible with the assumptions of set-theoretic methods, such as the use of Boolean algebra rules, as suggested by Schneider and Wagemann<sup>8</sup>. It first requires that a full QCA analysis is run to obtain configurations of conditions sufficient for the outcome. The second step is to translate the theory from its verbal form into a Boolean expression similar to these configurations. This is done based on so-called theoretical expectations about the conditions and outcome under examination. The third step is then to intersect the theoretical and observed configuration. As an illustration, consider Schneider and Wagemann's hypothetical example (2012, p. 298). If the Boolean expression for the theory is:

$$T: B + \sim AC \rightarrow Y$$

and the observed configuration is:

$$S: B\sim C + AC \rightarrow Y$$

then the intersection of T and S is:

$$TS: (B + \sim AC) * (B\sim C + AC) = ABC + B\sim C$$

Interpreting this intersection depends on the specifics of conditions and outcome, as well as initial theoretical expectations about them. Theory testing with QCA is quite sophisticated, but, as with all set-theoretic assumptions and techniques, it is primarily qualitative in nature. In the following section, I present the more technical aspects of the method, where maintaining this perspective is particularly important.

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<sup>8</sup> They refer to theory testing as 'theory evaluation'.

## ***Sets and set relations***

Previously I brought up, at different times, the concepts of set relations, crisp- and fuzzy-sets without offering a specific definition to either. Since these are essential to understanding how the set-theoretic approach approaches causality, it is useful to pause and clarify their meaning. A set is defined in relation to how it reflects a certain concept (Schneider and Wagemann 2012, p. 24). Mahoney (2010, p. 2) shows that treating concepts as 'mental representation[s] of an empirical property' requires the use of variables to measure cases in terms of whether and to what extent they exhibit that empirical property. On the other hand, defining concepts as sets, i.e. 'boundaries that define zones of inclusion and exclusion' (Mahoney, 2010, p. 7), helps measure cases in terms of how they fit within these boundaries. In short, the question of whether or not a case can be described by a concept (and to what degree) is the process by which membership scores are assigned to cases (also referred to as calibration). QCA operates with two types of sets: crisp and fuzzy. The former are sets that allow either full membership or no membership of cases, while the latter include partial membership as well. When measuring a case's membership in a crisp set dichotomization (scores of 1 and 0) is used to represent whether the case is in or out of the conceptual boundaries. Membership scores for fuzzy sets are assigned on a verbally expressed scale.

The aim of conducting QCA is to examine the nature of the relations between the sets of conditions and outcome, which are reflected in patterns of *necessity* and *sufficiency*. The basic logic of necessity states that a condition X is necessary if, whenever the outcome Y is present, the condition is also present. In terms of set relations, this means that any case that is a member of the set Y is also a member of the set X, and no cases that exhibit the outcome Y can be found outside the set X. In other words, Y is a subset of X (in set-theoretic notation  $Y \leftarrow X$ ). The logic of sufficiency is symmetric. It states that a condition X is considered sufficient if, whenever it is present, the outcome Y is also present, and there can be no case that exhibits the condition but not the outcome. Put differently, X is a subset of Y (in set-theoretic notation  $X \rightarrow Y$ ). When natural language is used to postulate certain causal relations, it is expressed as the combinations of conditions that are sufficient to produce the outcome.

## ***Causal complexity***

In QCA, the term 'causal complexity' has a specific meaning encompassing three concepts – equifinality, asymmetry and conjunctural causation – which are examined here in more detail. Consider a typical QCA solution formula:

$$AB + CD + BD \rightarrow Y$$

where Y represents the outcome, and A, B, C and D are the conditions leading to it. QCA does not assume additivity, but rather conjunctural causation – a situation where the effect of a single condition occurs in combination with other clearly defined conditions. A, B, C and D are all individual conditions that interact with each other to form the solution terms 'A and B', 'C and D' and 'B and D', which means that in each solution terms the conditions must occur together as specified. Here the plus sign is not interpreted arithmetically as a summation of terms, but as a logical 'OR'. Thus, the solution formula reads:

*Conditions 'A and B' OR 'C and D' OR 'B and D' are sufficient for the outcome Y*

The solution terms – interactions of individual conditions – are alternative sufficient paths leading to the same outcome and accounting for all empirical evidence observed. In the set-theoretic approach this is known as equifinality. Combined with asymmetry, which states that the presence of an outcome and its absence should be examined separately because they may be explained by different combinations of conditions (Goertz and Mahoney, 2012, p. 68), provides a good reflection of the complexity of social phenomena.

Thus, one of the strengths of QCA is that it produces 'causal recipes' (Goertz and Mahoney 2012, p. 56-57) where individual conditions interact to give a detailed picture of the context in which an outcome may or may not occur. This is a good reflection of Ragin's original definition of QCA as a strategy for 'comparing wholes as configurations of parts' (Ragin, 1987, p. 84) Combining the concept of conjunctural causation with the notions of necessity and sufficiency, two types of causal paths can be identified (Schneider and Wagemann 2012, p. 79-80). INUS conditions (conditions that are individually insufficient but necessary parts of a combination that is itself unnecessary but sufficient for the result) occur very often in QCA. Consider, for example, the solution formula from earlier:

$$AB + CD + BD \rightarrow Y$$

Here, condition A produces the outcome Y only in combination with condition B. Individually, it is insufficient for the outcome, but it is a necessary part of the conjunction. In turn, the combination AB is one of the sufficient conjunctions that produce the outcome Y. All individual conditions in this formula receive the same treatment and are thus INUS conditions. The other type are SUIN conditions (conditions that are a sufficient but unnecessary part of a conjunction that is itself insufficient but necessary for the outcome). They occur most often in relation to the analysis of necessity. A solution formula illustrating this type of condition would be quite different. For example, in:

$$(A+B)(C+D) \rightarrow Y$$

the unions A+B and C+D are by themselves insufficient to produce Y, but the conditions A, B, C and D are individually unnecessary and thus alternatives to one another. (A+B)\*(C+D) as a conjunction is sufficient for the occurrence of the outcome.

As the previous section dealing with the differences between qualitative and quantitative traditions in the social sciences has shown, measuring the impact of individual conditions is the domain of statistical analysis, while qualitative methods focus more on context and interactions. The typology of INUS and SUIN conditions provides way of looking at individual conditions consistently with QCA procedures. While it is still impossible to measure the exact effect of each condition, their relationship to each other and to the outcome can be described quite easily. For example, a single condition may be necessary for the outcome, but it is quite rare that a single condition is both necessary *and* sufficient. On the other hand, INUS conditions are very common in the analysis of sufficiency.

To sum up, QCA finds explanations for social phenomena by taking causal complexity into account. This means that it is capable of finding multiple coexisting explanations for the outcome while accounting for how single conditions interact with each other. It also assumes, quite sensibly, that the same conditions explaining the occurrence of the outcome may not explain its absence, and so the two instances should be examined separately. In the next part – the final one dealing with the aspects that make set-theoretic methods a coherent approach to understanding social reality – I address how QCA is comparative.

## ***The comparative nature of QCA***

When discussing comparativeness in set theory, the differences between the quantitative and qualitative traditions come into play once again. When Ragin introduced QCA in 1987, he did so with particular emphasis on the advantages that qualitative approaches have over quantitative ones in enabling comparisons. Describing the logic of the comparative method, he wrote:

*“When qualitatively oriented comparativists compare, they study how different conditions or causes fit together in one setting and contrast that with how they fit together in another setting [...] they tend to analyze each observational entity as an interpretable combination of parts – as a whole. Thus, the explanations of comparative social science typically cite convergent causal conditions, causes that fit together or combine in a certain manner.”* (p. 33-34)

According to Ragin, a notable advantage that the qualitative comparative approach has over statistical methods is that it accounts for all instances of a certain phenomenon by enabling us to study both cases that are typical for the outcome, as well as deviant cases that fall outside the stipulated causal relation. Furthermore, in QCA comparative boundaries are established by the researcher rather than based on a more loosely defined population, as is the case with quantitative methods. Once the cases and outcome of interest have been identified, Berg-Scholsser and De Meur (2008) discuss two strategies for proceeding with comparisons. The most similar and most different system designs are based on John-Stuart Mill’s methods of difference and agreement respectively. Mill postulated that, if one or more instances of the same phenomenon have only one circumstance in common, that circumstance represents the cause. Conversely, if two instances exhibit opposite outcomes and all conditions except one in common, that differentiating condition represents the cause.

The notion of most different and most similar systems was first discussed by Przeworski and Teune (1970), who posited that the main assumption behind the most similar systems approach was to select cases that share as many features as possible, so that the differences between them can be isolated as explanations. The alternative strategy of most different systems starts from the variations observed at individual levels. The first step is to identify the conditions observed within the system that ‘do not violate the assumption of homogeneity of the total population’ (Przeworski and Teune, 1970, p. 35). Then, if the



relationship between the conditions and the outcome is the same among sub-groups, the differences do not need to be taken into account. In short, by contrasting cases we eliminate all conditions that do not lead to the same outcome. But Rihoux and De Meur (2008) argue, that until recently, the models proposed by Przeworski and Teune have not been fully operationalized. The models can be simplified as MSDO (most similar systems with a different outcome) and MDSO (most different systems with the same outcome). MSDO is most applicable to 'very small-N' populations where matching cases for comparison can help researchers narrow down conditions explaining the occurrence of the outcome, with the aim of finding conditions that may produce the outcome. MDSO can be used in theory testing and applied to larger, if still quite limited, population. Rihoux and De Meur suggest 15-25 cases of compatible cases.

The comparative aspect of QCA is particularly highlighted in how it combines with other methods to produce in-depth explanations of the phenomenon being examined. The QCA 'process' as such – the analytical moment – is itself only an intermediate stage in the course of explaining causation. A pre-analytical case selection must first be conducted, on the basis of shared characteristics, which can later be adapted depending on the initial insights from the analytical moment. Comparison takes center-stage in the post-analytical stage where the solution term found through QCA is further examined. Typically at this point researchers turn to more conventional qualitative methods to supplement their findings, such as comparative case studies and process tracing, for which QCA is quite versatile at isolating relevant cases.

There are several strategies for selecting cases to compare (Schneider and Wagemann 2012, p. 307-310) but the focus in this dissertation is on comparing typical cases (where both the outcome and the condition is present) to further explore the mechanisms linking the conditions and the outcome. Aside from providing more empirical support to both original theoretical assumptions and QCA results, one benefit of looking at typical cases in depth is that it may help uncover possible conditions that are relevant to the outcome but have, for some reason, been omitted. In this type of comparison, both cases exhibit the same outcome, but if the solution term indicates there is more than one explanatory configuration, a typical case may be uniquely covered by one of the solution paths, or can be explained by multiple paths. Thus, comparing two cases individually covered by different solution terms is a good way to study why mutually non-exclusive explanatory paths can exist. What aspects of the wider

context in which the cases are situated enables this causal link? Why are the cases uniquely covered? What other explanatory factors can have a strong impact on the outcome? Are they case-specific or can they be included in a new iteration of QCA with the purpose of strengthening theoretical claims?

### 3.3.2. QCA as technique

#### *Steps in QCA: truth tables and solving contradictions*

The first step in performing crisp-set QCA (csQCA) once the grounds for dichotomizing the conditions and outcome, is to organize the data into a truth table by grouping together the cases that have the same configuration of conditions. For example, consider the hypothetical dichotomous table below, with seven cases, three conditions (A, B and C) and the outcome Y.

CASE	A	B	C	Y
C <sub>1</sub>	0	0	1	1
C <sub>2</sub>	0	1	1	0
C <sub>3</sub>	0	0	1	1
C <sub>4</sub>	0	1	1	1
C <sub>5</sub>	0	1	1	0
C <sub>6</sub>	0	0	0	1
C <sub>7</sub>	1	1	0	0

Notice that C<sub>2</sub>, C<sub>4</sub> and C<sub>5</sub> have the same configurations of conditions, so they can be grouped together on the same row. The same goes for C<sub>1</sub> and C<sub>3</sub>, while C<sub>4</sub> and C<sub>4</sub> have different combinations and so remain on separate rows. The truth table is:

A	B	C	Y	CASE
0	0	1	1	C <sub>1</sub> , C <sub>3</sub>
0	1	1	0/1	C <sub>2</sub> , C <sub>4</sub> , C <sub>5</sub>
0	0	0	1	C <sub>6</sub>
1	1	0	0	C <sub>7</sub>

At this point, there is one inconsistency in the data. In the data table, cases C<sub>2</sub>, C<sub>4</sub> and C<sub>5</sub> have the same configuration of conditions, but C<sub>2</sub> and C<sub>5</sub> have an outcome of 0, while C<sub>4</sub> has an outcome of 1. This is called a contradictory table row and must be dealt with before moving on with the analysis. There are several recommendations in QCA literature for solving contradictions in truth tables, and they require that the researcher re-examine the original cases, conditions and outcome, and make changes to some of these (Schneider and Wagemann, 2012, p. 120-123; Rhieux, 2009, p. 48-49). The first solution is to add or drop a condition based on theoretical arguments. But this can be quite tricky depending on the number of the conditions already used. Because QCA operates with logical combinations, adding another condition will exponentially increase the number of logically possible combinations. In csQCA and fsQCA this number is calculated as  $2^k$  where k is the number of conditions. For instance, in the hypothetical example above, the logically possible number of combinations is  $2^3 = 8$  and a truth table that includes all configuration looks as follows:

A	B	C	Y	CASES
0	0	1	1	C <sub>1</sub> , C <sub>3</sub>
0	1	1	0/1	C <sub>2</sub> , C <sub>4</sub> , C <sub>5</sub>
1	1	1	?	-
1	1	0	0	C <sub>7</sub>
1	0	1	?	-
1	0	0	?	-
0	1	0	?	-
0	0	0	1	C <sub>6</sub>

There are four combinations that have no corresponding cases observed empirically, whose outcome cannot be determined from the beginning. These are called logical remainders and a larger number of them is an indicator of limited diversity, meaning that not enough cases can be observed empirically. But logical remainders also have a use in determining the complexity of the solution term. I will address this in more detail in when discussing types of solutions below. For now, the important point is that, even if there are solid theoretical grounds for adding another condition to the model, this increases the number of combinations to  $2^4 = 16$ . The number of combinations with corresponding cases, however, remains the same, which means that instead of 4 logical remainders, there are now 12. The recommendation to maintain a

certain balance between the number of cases and the number of conditions is particularly important. If, for instance, the analysis had 130 cases instead of 7, there would be a lower chance of so many logical remainders occurring, simply because there are more cases covering different combinations. Unfortunately, this effect is gradually cancelled out by adding more conditions into the mix.

This is where a second strategy of dealing with contradictions comes in: re-examining cases to determine if those appearing on contradictory rows can be excluded, or if others can be added to mitigate limited diversity. Assume there is reasonable case-based evidence to exclude  $C_4$  from the truth table above. This would solve the contradiction quite easily, since the remaining cases on that row have the same outcome. Nevertheless, the process by which researchers decide to drop (or add, in some instances) cases should be as transparent as possible. Other recommendations for solving contradictions are to re-examine cases in a 'thicker' manner and determine whether they are indeed part of the relevant population, or if some cases have been excluded; or to re-evaluate the outcome and see if it needs to be re-conceptualized or measured in a way that would solve the contradictions - although it must be noted that this strategy affects all table rows, not just the inconsistent ones, and may even lead to new contradictory combinations.

### ***Steps in QCA: necessity and sufficiency relations***

At this stage the analysis is conducted through the use of the different software available, such as R packages (Medzihorsky et al., 2016; Duşa, 2018a; Thomann et al., 2018), fsQCA (Ragin, 2010) and TOSMANA (Cronqvist, 2016). Schneider and Wagemann (2012, p. 278) make some general recommendations for good practices in examining necessity and sufficiency. Firstly, the two should be examined separately, with necessity coming first and, as indicated by the principle of asymmetry, the outcome and the absence of the outcome explained separately. Statements about necessity should not be derived from results concerning sufficiency, because there is a risk of either omitting a necessary condition that does not appear in the solution due to minimization, or to find 'false' necessary conditions. Therefore, researchers must test for necessity separately and impose high consistency values for the conditions being examined to avoid inferring that trivial ones are, in fact, necessary.

Several sufficient solution formulas can be derived. Ragin (1987) notes that the different treatment of logical remainders leads to solutions that vary in complexity without contradicting the empirical data in the truth table. Three

kinds of solutions can be thus found (Schneider and Wagemann, 2012, p. 172): (a) the conservative solution is the most complex one and deals only with the observed cases, making no simplifying assumptions about the outcome logical remainders may produce; (b) the most parsimonious solution uses simplifying assumptions made automatically by the software; (c) the intermediate solution also uses simplifying assumptions about the logical remainders, but they are determined based on the researcher's expectations about how each condition impacts the outcome.

### ***Steps in QCA: Presenting and interpreting results***

Schneider and Grofman (2006) recommend focusing on three aspects of the analysis when presenting the results: how conditions interact to explain the outcome; which cases are covered by this explanation and which are left out; and how well the solution fits with the empirical evidence. QCA results can be presented in different ways, such as solution formulas, Venn diagrams or x-y plots, as well as using truth tables and accounting for the solution consistency and case coverage. Results can also be interpreted in different ways. For instance, a case-oriented interpretation reveals which cases are typical empirical reflections of the causal relationship, which cases are deviations (and therefore responsible for lower levels of solution consistency) and how cases are covered by the solution. If researchers choose to focus on the causal relationship, they must keep in mind that single conditions should not be interpreted separately (unless a single condition emerges as sufficient) since the focus of QCA is on describing their interactions. The focus should instead be on these interactions (solution terms), how they fit in with theoretical expectations and, for further investigation, what enables different causal paths to exist simultaneously.

### ***Steps in QCA: follow-up and researcher input***

It has become quite obvious by now that QCA is a method that requires researchers to make quite a lot of choices before and during the analysis process. Being both a qualitative and essentially reiterative method (Schneider and Wagemann 2012, p. 281-282) researchers will find that they sometimes need to go back and forth between stages and make adjustments depending on intermediate results. This is not to say that researchers cherry-pick theory and empirical evidence to construct a model that fits their expectations. As repeatedly emphasized before, QCA does not work with the same underlying

assumptions of quantitative approaches when it comes to theory testing. Its main goal is a qualitative exploration of causal relations. Causal claims made by theory can indeed be studied in a rigorous way that is compatible with the rules of set theory, but the process of adding or excluding cases from the analysis is necessary because these claims cannot be studied where they do not exist. In addition to case selection researchers must also make transparent decisions with regards to selecting, discarding or re-conceptualizing conditions, the rules for assigning membership scores and the choice of QCA variant to be used and strategies for including temporality.

The qualitative nature of QCA means that results obtained through the analytical moment should be subjected to a further, in-depth analysis using compatible qualitative methods, such as case studies or process tracing. This step can be used for several purposes. One is to place the causal mechanism in a wider context, specific to the case(s) chosen for further examination. This can focus, for instance, on detailing theoretically relevant factors that cannot be quantified in a meaningful way, and therefore have not been accounted for as part of the QCA stage. Another aim is to look for factors that have been altogether omitted but on closer inspection turn out to be part of the causal mechanism. Depending on whether or not these can, in turn, be quantified, the researcher has two options: if these factors cannot be measured meaningfully, they should nevertheless be analyzed in a qualitative way as part of the case study. If they can be measured, it may be worth reiterating the QCA procedure with the new conditions factored in. Of course, the same recommendation to keep a balance between the number of conditions and cases applies.

### **3.4. Process tracing**

#### **3.4.1. Process tracing as approach**

Process tracing is the second component of set-theoretic MMR used in this dissertation. There are few clear guidelines in literature on how to integrate it with QCA. Although it makes more sense to use QCA as the first step and follow up with process tracing, this sequence is not fixed. Rather, Schneider and Rohlfing (2013) clarify, deciding in which order to use them is a matter of distinguishing between the objectives of pre- and post-QCA analytical steps. If QCA is used as the second step in the sequence, then the goal of the pre-QCA stage is to define and calibrate the conditions and outcome, and designate the

case population. I have already covered most of this - except for calibration - in Chapter 2, and will be using the QCA-first approach in the remainder of this study because I am interested in applying process tracing to complement the broader information derived from this initial step.

However, unlike conditions and outcome, I have thus far addressed case selection only superficially, by designating all ten CEE member states as the general population. There are good reasons for this, as the nature of the set-theoretic approach indicates. While the results of QCA cannot be anticipated, it is almost certain that this analysis will arrive at the process tracing stage with a modified case population. But what, actually, constitutes a case? Gerring (2012, p. 19-20) defines cases as spatially delimited phenomena observed at a single point in time. The spatial limits of CEE cases are clearer than the temporal ones. As I will further show in Chapter 4, these cases are indeed observed at certain points in time, based on several factors likely to have an impact on QOD and the three dimensions of embeddedness, such as the EU's further eastern enlargement in 2007 and 2013, and the effects of the financial crisis on socio-economic conditions and political stability. This spatial-temporal delineation also increases the number of cases for QCA, with implications for the limited diversity problem. Keeping all this in mind, it is difficult to make confident statements about case selection at this point. Nevertheless, process tracing does provide several rules for case selection, which I will discuss together with the method's other technical points.

Obviously, process tracing plays a much more complex role than just guiding post-QCA case selection. Mahoney (2015, p. 200) describes the method as a 'set of procedures for formulating and testing explanation with case studies', while Bennett and Checkel (2014, p. 4) define it as 'the analysis of evidence on processes, sequences and conjectures of events within a case for the purposes of either developing or testing hypotheses about the causal mechanisms that might causally explain the case.' By itself, it is used to find evidence of causal mechanisms, but in combination with QCA, it can be used in a 'backwards-looking' way (Crasnow, 2017) to treat the solution formulas as (well-grounded) assumptions and further test them within individual cases.

### ***Mechanisms, processes and causal inferences***

Although there are several clear guidelines on how to conduct process tracing, the method is much less formalized than QCA. While this allows for more flexibility, it also raises several problems with regards to validity and the ability

to make generalizations based on evidence found at case level. At its core, process tracing makes causal claims based on mechanisms: it shifts the focus from conditions and outcomes towards hypothesized processes that link the two by transmitting causal forces (Reykers and Beach, 2017; Beach, 2016). Process tracing works with three types of conditions (Mahoney, 2015). Similarly to QCA, it recognizes that there are necessary conditions, which, when removed from the equation, are capable of changing the outcome. The second type is intervening conditions, which increase the probability that the outcome will occur, but do not eliminate the outcome if they are absent. Finally, process tracing also uses INUS conditions in the same way QCA does, treating interactions as mechanisms. In this study I use the latter two types of conditions: the INUS conditions identified through QCA, and case-specific intervening conditions that supplement the more general, set-theoretic explanation. These are useful for evaluating the weight of causal mechanisms precisely when such general causal patterns have already been identified across multiple cases. This is a good example of how QCA and process tracing play off each other's strength to move between the cross-case and within-case levels.

The basis for making causal inferences in process tracing is diagnostic evidence (Collier, 2011; Bennett and Checkel, 2014). This comprises of events that intervene between hypothesized causes and empirical observations. For example, within-case diagnostic evidence can be drawn as 'observations on context, process or mechanism' (Brady and Collier, 2010, p. 12) from the spatial, temporal or topical dimensions that define the case. Diagnostic evidence is anchored in prior knowledge, which Collier (2011) places in four categories. Conceptual frameworks are groups of related concepts that can be operationalized (such as the embeddedness model). Recurring empirical regularities describe patterns that occur repeatedly between two or more phenomena. A third framework connects these regularities to theoretical knowledge and help build theory by collecting and verifying related hypotheses. Finally, theory can also be expanded to explain why these regularities occur.

In this research, process tracing will be used mainly within the theoretical framework of the latter two. QCA already reveals how conditions interact to produce the outcome, in effect providing the hypotheses for follow-up process tracing. The goal of this second stage, then, is to examine and describe how these hypotheses, which are based on population-wide empirical observation, behave in specific cases which are defined based on the research interest.



Generalization poses an interesting problem for process tracing. At first glance, the goal of this analytical step is to contextualize the broader observations resulting from QCA, not make further generalizations based on case-specific knowledge. Indeed, Schimmelfennig (2014) notes one of the shortcomings of process tracing is that it is able to maximize internal validity, but does not create external validity. Is this limitation a real concern in the wider context of set-theoretic MMR? I propose that, when the main goal is theory testing, the answer is no. The story is different when one hopes to use this approach for theory building. As Chapter 2 has shown, the embeddedness model in its current form leaves plenty of room for fine-tuning its concepts. QCA helps in this endeavor by taking model's individual conditions and turning them into INUS conditions, thus providing causal inferences for further analysis. It also specifies which conditions are necessary - an important correction to Merkel's underlying assumption that all dimensions of external embeddedness are necessary. But it stops short of bringing in any additional evidence from outside the scope of these conditions. In other words, QCA can do theory testing, but its theory building power is limited. Process tracing does not, unfortunately, solve this problem. The only thing it can do in this respect is clarify the scope of conditions under which a hypothesis can be generalized (Bennett and Checkel, 2014). It is possible, however, to use process tracing for theory building under certain terms, by taking advantage of the fact that QCA is iterative. If, for example, there is solid empirical evidence that a causal mechanism carries over to other cases, it can be operationalized and introduced in a new QCA step, which tests its external validity and introduces it into the theory. If such a step is to be taken for the embeddedness model, the new condition should be treated in the same way as the original ones: it must be conceptualized in a general way, to ensure that it is applicable across multiple cases; and it must be measurable, to ensure that it can be used together with the social and economic contexts, populism and international integration. If this latter constraint cannot be satisfied, then the new condition receives the same treatment as the historical context and civil society - meaning that it cannot be verified through QCA.

As a technique, process tracing is similarly flexible, with both the advantages and limitations this entails. Standardization is also more limited than in QCA, in that there are no parameters of fit, and the method is particularly vulnerable to the 'storytelling problem' (Schimmelfennig, 2014) - the tendency to see patterns in otherwise random data and build explanations based on them. Still, there are a few standard steps one must follow to ensure the validity of results. They are described in the section below.

### 3.4.2. Process tracing as technique

#### ***Steps in process tracing: case selection and hypothesizing causal mechanisms***

In comparative process tracing, case selection is based on three principles (Schneider and Rohlfing, 2013, p. 566-567). Comparisons can be made between cases that show the same outcome, if the goal is to emphasize necessary conditions. Another suggestion is to pick diverse cases, each covered by one sufficient solution term, to untangle the processes behind each explanatory path. Finally, case selection can be done based on the nature of case membership in the solution. Schneider and Rohlfing argue that uniquely covered cases offer better insights than multiple-covered cases, because the outcome is empirically overdetermined.

QCA also helps with case selection. Earlier in this chapter I explained that it structures the case population based on how individual cases relate to the sufficient solution terms and the outcome. QCA distinguishes between typical and deviant cases, which can be adapted for process tracing. When combining process tracing with QCA, Schneider and Rohlfing (2013) make a few general recommendations for case selection. Among these: (1) choose at least one case covered by each solution term; (2) choose cases that are members in just one solution term; (3) in comparative process tracing at least one case must exhibit the outcome. In typical cases, both the outcome and at least one term in the statement of sufficiency are present (Schneider and Wagemann, 2012, p. 305). Therefore, choosing such cases is useful when the goal is theory testing.

Formulating hypotheses for process tracing in a QCA-first approach is quite straightforward when both case knowledge and statements of necessity and sufficiency are already available. For example, assume a typical case for the sufficient relationship between deconsolidation and the social and economic contexts. If that case has also been strongly affected by the economic crisis, the presence of specific, crisis-related mechanisms can be hypothesized. This is not the same as stating that the crisis itself is a causal mechanism linking poor socio-economic performance to deconsolidation. Instead, more specific mechanisms can be extrapolated before the search for evidence can begin. Staying with the same example, evidence may be found that the crisis' financial impact forced the government to take out a substantial external loan, conditioned by certain austerity policies that in turn created acute public dissatisfaction. Large-scale protests caused the government to resign, adding political instability to the

country's list of problems. In the most general terms, this sequence does illustrate the link between deconsolidation and socio-economic instability. But there is more than one causal mechanism linking the two. Another country may decide to impose austerity measures not to pay off an external loan, but to finance its own deficit directly. Yet another may experience the same sequence of events as the first, but instead of political instability, public discontent puts a strong populist party in government and, over time, power entrenchment begins to erode QOD.

These causal mechanisms each reflect the same statement of sufficiency regarding socio-economic context and deconsolidation in completely different ways. The role of diagnostic evidence is to guide the search for these causal links, and process tracing has several types of evidence available to do this.

### ***Steps in process tracing: specifying the evidence***

Beach and Pedersen (2013, p. 99-100) explain that predicted evidence rather than data observation is used in process tracing, and observations only become evidence after being contextualized within case knowledge. There are four types of evidence used in process tracing. Pattern evidence is drawn from statistical patterns that support the causal inference. Sequence evidence can be found in the chronology and spatial distribution of certain relevant events. Mahoney (2015, p. 204-206) emphasizes that this type of evidence is especially strong in process tracing because it enables researchers to identify critical junctures in the links between different causal factors. The third type is trace evidence, whose mere existence confirms that the hypothesized relationship exists, completely or in part. Finally, account evidence is drawn from the content of empirical data, typically written documents or oral accounts.

As explained above, these types of evidence do not themselves causes, in that their presence or absence does not have an impact on whether the outcome occurs. Their role is to signal if, and how, a hypothesized causal mechanism has occurred.

### ***Steps in process tracing: building empirical tests***

In order to ensure inferential validity, causal statements are made based on empirical tests (Waldner, 2015; Collier, 2011). A useful terminology for creating these tests distinguishes between two dimensions: uniqueness and certainty (Van Evera 1997, p. 31-34; Beach and Pedersen 2013, p. 101-104; Rohlfing, 2014,

p. 611). Uniqueness refers to cases where empirical explanations can be developed that do not overlap with other theories. Where unique conditions are found, they lend confirmatory power to the explanation (i.e. passing the test is sufficient for inferring causation). Certainty states that the specified condition must be observed, or the explanation fails the empirical test (i.e. passing the test is necessary for inferring causation). Based on these dimensions, four empirical tests were developed, shown in Table 3.2.

**Table 3.2. Types of prediction tests in process tracing**

	<b>HIGH CERTAINTY</b>	<b>LOW CERTAINTY</b>
<b>HIGH UNIQUENESS</b>	Doubly-decisive test	Smoking gun test
<b>LOW UNIQUENESS</b>	Hoop test	Straw in the wind test

Source: Rohlfing (2014)

Collier (2011) and Mahoney (2012) describe each test in relation to how it affects the validity of the hypothesis. Thus, straw in the wind tests either increase or decrease the plausibility of a hypothesis, but provide neither necessary nor sufficient criteria to reject or accept the hypothesis. They are the weakest type of test overall, but they are valuable for providing the initial assessment of a hypothesis. Hoop tests state that a certain piece of evidence must be present in order to validate the hypothesis. Failing a hoop test eliminates the hypothesis, but passing does not confirm it, and additional evidence is called for. Smoking gun tests can strongly support a hypothesis if a given piece of evidence is observed. On the other hand, failing a smoking gun test does not automatically eliminate the hypothesis. Finally, doubly decisive tests are the strongest among the four: if evidence in favor of a hypothesis is found, that hypothesis is confirmed and all others are eliminated.

In set-theoretic MMR, the choice of empirical test is strongly influenced by the results of QCA, and the case selection procedure. This is because, as I will explain further in Chapter 5, if a case is covered by more than one explanatory path, then it is likely that the underlying causal mechanisms - and by extension, hypotheses - are not unique. This already limits the options to hoop and straw in the wind tests, both of which are comparably weak. Despite this, there are certain trade-offs between QCA and process tracing here. Beach and Pedersen (2013, p. 105) recommend that, if one must choose between certainty and uniqueness in predicting evidence, the former should be maximized.

## ***Standards of good practice***

Checkel and Bennett (2014, p. 261) recommend several standards of good practice for process tracing. Firstly, they advise thinking broadly when considering alternative explanations, and treat them with equal rigour. Secondly, the potential biases of different sources of evidence should be taken into account - for example, if politicians are likely to make different statements in front of different audience can skew account evidence. Thirdly, evidence should be drawn from diverse sources, but researchers should also justify why they have excluded a certain piece of evidence, or how they have chosen when to stop investigating. Finally, they suggest being open to both deductive and inductive insights when pinpointing causal mechanisms.

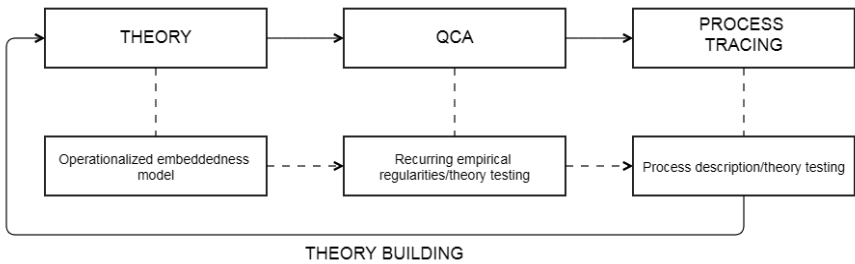
How process tracing is conducted largely depends on the available theoretical and case knowledge about the phenomenon in question. If strong theories about causal mechanisms already exist, process tracing can be more deductive. But, while theory and QCA do quite well by themselves in guiding hypotheses, it is also important to try and draw theoretical implications from case-knowledge. In this chapter I unpacked the complex nature of set-theoretic MMR and detailed the steps involved in performing QCA and process tracing. The goal of this dissertation is to make the most of the methodological tools that set-theoretic MMR provides to examine the theoretical assumptions of embeddedness with regards to democracy in Central and Eastern Europe. Before moving on to the analytical stage, it is important to make explicit some of the strengths and limitations of set-theoretic MMR.

### **3.5. Conclusions: what set-theoretic multimethod research can and cannot do**

From this point on, the study proceeds in two stages. The goal of theory, which has already been laid out in Chapter 2, is to provide the basis for making and testing claims about how embeddedness is linked to democracy, and more specifically to deconsolidation. The scope of these hypotheses is, at this point, limited. It is possible to formulate what set-theoretic MMR refers to as 'directional expectations' - statements about whether individual conditions will have a positive or negative impact - but nothing is known about the configurations in which these conditions appear, or any of the underlying mechanisms. This is the role of the first stage of this study. Directional

expectations can be incorporated into QCA to produce more refined hypotheses about the conditions of deconsolidation. By the end of this step, the configurations, as well as necessary or sufficient character of each condition is known. The underlying causal mechanisms are not yet clear though and, as the latter part of this chapter has shown, it is not prudent to assume that the same mechanisms translate across different cases. The role of process tracing is to specify these mechanisms and, under certain conditions, feed them back into the theory. The stages of this research are summarized in Figure 3.1.

**Figure 3.1. Structure of research design**



**3.5.1. A note on using crisp-set QCA**

In the beginning of this chapter I introduced the debate around QCA as a bridge between methodological traditions, with particular focus on its capacity to reflect natural language. That QCA enables us to move between natural language and the language of logic has important implications for this dissertation: in the following chapter, I explain in detail how the concept of external embeddedness is translated into set-theoretic language for the purpose of theory testing. However, this also requires a re-examination of the main criticism levelled against the use of crisp sets over fuzzy sets in QCA: that while natural language is, naturally, complex, csQCA operates in dichotomies and consequently produces often serious loss of information.

Why, then, opt for crisp sets when examining something as multilayered as democracy? The reason is threefold. Firstly, translating external embeddedness into a set-theoretic formula requires some degree of linguistic extrapolation, since Merkel does not explicitly present his model in either crisp or fuzzy terms. However, the original text can fairly easily be interpreted in such

a way. For instance, when writing about the socio-economic component of external embeddedness, Merkel notes that:

*"[...] a developed economy, the prevention of extreme poverty, the pluralization of the social structure, and the fair distribution of the material and cognitive resources of society create a shield for democracy and, in most cases, enhances the quality of democracy with regards to the rule of law and participation. Inversely, both the lack of a well-developed economy and abrupt downward economic change endanger the stability and the quality of a liberal democracy" (p. 45)*

In other words, these elements can be read as a presence/absence binary (although the argument can be made that 'abrupt downward economic change' should be read as a scale instead, but no corresponding opposite phenomenon, i.e. economic growth, is mentioned). Similarly, the civil society component is addressed in conditional terms, which can also be read as a presence/absence binary:

*"If civil society fulfills [the Lockean, Montesquieuian, Tocquevillian and Habermasian] functions, it generates and enables checks of power, responsibility, societal inclusion, tolerance, fairness, trust, cooperation, and often also the efficient implementation of accepted political programs" (p. 47)*

On the other hand, the international and regional integration component clearly implies a scale and, by extension, fuzziness:

*"The denser, more consolidated and more resilient this external embeddedness of democracy is, the less vulnerable the internal partial regimes are towards external threats. The more densely interdependence between the partial regimes is institutionalized, the stronger the co-operation between the actors of these regimes. Also, the higher the acceptance and respect towards mutual independence, the more democratic is the whole regime. The inverse is true, as well: the weaker the external embeddedness and the lower the mutual respect and co-operation between the actors of the partial regimes, the closer the regime is to being a defective democracy." (p. 48)*

The issue with extrapolating set-theoretic terms from these excerpts, then, is one of consistency. There is no problem *pe se* with having both crisp and fuzzy values in the same empirical analysis. However, at this particular point the goal is not yet theory testing, but merely theory translation, and I suggest that this should be done consistently by applying the presence/absence (or increase/decrease) binary across the board. The argument for doing so with international integration is not merely that, as a scale, it is the 'odd one out', but that fuzzy sets also include crisp values and can be themselves reduced to a binary if needed.

A second, related argument for using crisp sets has to do with the nature of dichotomization as 'radical surgery' (Coppedge, 2012, p. 47). While dichotomization is indeed limiting, it also has a particular advantage: it emphasizes difference in kind over difference in degree (De Meur, Rihoux and Yamasaki, 2009; Sartori, 1991). For instance, while the conceptual web around democratic deconsolidation may be difficult to navigate, the losses or gains in QOD are easy to track through relevant indicators. Preserving fine-grained information becomes a problem when trying to link these observations to specific concepts. If we are not sure where the conceptual threshold between deconsolidation and democratic breakdown is set, then placing empirical observations correctly is an equally uncertain task. However, if the concept is already well established, dichotomization becomes a viable option. In the case of CEE democracies, there is already an extensive body of literature supporting the idea that, while democratic quality has seen a net decline between 2005 and 2014, there are no cases of outright democratic breakdown, or formerly democratic regimes being re-classified as hybrid or authoritarian. Therefore, the scope of the analysis is bound to a single concept: a country has either experienced deconsolidation, as defined in Chapter 2, or it has not. The *degree* to which this has occurred can be subject to a more in-depth qualitative analysis - in this case process tracing - whose role is to attenuate the loss of information caused by dichotomization. In effect, the QCA stage functions as a more general, less demanding test that points out empirical regularities in the model (see Figure 3.1) These can be used as more sophisticated hypotheses in the second, more demanding stage, whereby process tracing adds the within-case perspective to theory testing.



Finally, the third argument in favor of csQCA stems from the risk of misplacing fuzzy thresholds when no clear theoretical guidelines are available and, consequently, the risk of misclassifying cases. The components of external embeddedness are somewhat of a mixed bag. For example, as of 2015, the World Bank established a clear threshold for 'extreme poverty' at \$1.90/day (World Bank, 2015), while Eurostat sets the reference point for 'population at risk of poverty and social exclusion' at 60 % of national median equivalised disposable income (Eurostat 2018b). These values could be used to determine some fuzzy scales for the socio-economic component of external embeddedness, but this is hardly the case across the board. There is no clearly defined theoretical boundary for what constitutes a developed economy, or the degree to which civil society fulfills, or fails to fulfill, the functions indicated by Merkel. Dichotomization along the lines of presence/absence or increase/decrease of relevant indicators solves this problem. Admittedly, it does so by sacrificing more fine-grained information but, as explained above, this information can be reintegrated in the second stage of a set-theoretic MMR design. Chapter 5 of this dissertation will show how this is achieved in practice.

To sum up, I opt for using csQCA in this study for three reasons: a consistent translation of external embeddedness from natural to set-theoretic language, avoidance of ambiguous thresholds, and the emphasis on differences in kind over differences in degree at an analytical stage where the loss of information does not compromise the results. In the first part of the following chapter I explain how the components of external embeddedness are operationalized as binaries, and prepare the model for the first stage of testing.

## Chapter 4

# Analysis: the conditions of democratic change in Central and Eastern Europe

### 4.1. Placing the research questions

This chapter continues to address the two research questions whose theoretical basis was developed in Chapter 2:

***RQ1:** What were the conditions of post-accession democratic deconsolidation in CEE? How do these conditions interact with each other?*

***RQ3:** What was the nature of the EU's post-accession domestic impact, and how does it relate to deconsolidation?*

Although the focus is on deconsolidation, defined as a gradual loss of QOD over a longer period of time, the qualitative comparative approach used particularly in relation to RQ1 requires that both the presence and absence of the outcome be analysed substantially. Thus, in this chapter, I first examine the conditions of democratic change in a broader sense, and then re-focus the research towards deconsolidation.

This chapter is structured into three parts. In the first, I present the criteria for initial case selection, the data, and a discussion of how the embeddedness model can be translated into set-theoretic language to facilitate theory testing. The second part contains the analysis and interpretation of the necessary and sufficient conditions of democratic change, and is broken down into three sections. In the first, I show the detailed steps of preparing and analyzing data to obtain the QCA solution formulas for both the improvement and decline of QOD. In the second, I interpret substantively the conditions explaining improvement (treated as presence of outcome) and in the third I discuss decline (treated as absence of outcome). Finally, in the last part of this chapter, I return to the embeddedness model to evaluate its theoretical claims in light of the new empirical evidence, and briefly discuss case selection options for the process tracing stage following in Chapter 5, where the focus of the analysis returns to deconsolidation.

## **4.2. Pre-analysis**

### **4.2.1. Case selection**

One of the key aspects of QCA highlighted in the previous chapter was its qualitative nature. QCA does not seek to test how well theoretic assumptions fit a fixed, pre-determined population, but allows researchers to modify case selection in the early stages of the analysis as needed for a qualitative approach.

The initial focus of this research is on the ten CEE countries that joined the EU in the mid-2000s. The ten year reference period, between 2005 and 2014, during which they are examined is split into three intervals: 2005-2008, 2008-2011 and 2011-2014. There are two reasons for this. Firstly, looking at a rough time period of ten years may simplify the analysis, but it sacrifices much of the insight, particularly if the main point of interest is the impact of certain factors that occurred during that decade, such as the economic crisis or the delayed accession of Romania and Bulgaria. Secondly, and perhaps more importantly, the same conditions cannot be expected to remain unchanged, particularly over such a long period of time. So, for instance, while QOD in the Czech Republic may have improved both over the 2005-2008 and 2011-2014 intervals, the explanation for this situation may be different. QCA, with its ability to uncover alternative paths to the same outcome, is well suited for a research design that distinguishes between time intervals. With this in mind, the initial case selection comprises of 28 country-period observations of the ten member states across these three periods. Bulgaria and Romania are excluded from the 2005-2008 interval due to the fact that they joined the EU in 2007.

This selection will not remain fixed throughout the analysis. One reason for this is that opting for the crisp set variant of QCA means that, when constructing the truth table, some contradictory configurations will inevitably occur. As I explained in Chapter 3, there are several methodological recommendations in this situation, among them modifying the chosen conditions, or adding or dropping cases. However, in this analysis I am interested in remaining as close as possible to the embeddedness model, for the purpose of later theory testing. This takes away the option of adding or removing conditions based on other theoretical assumptions. Furthermore, due to the regional focus on Central and Eastern European member states, it is not possible to add cases from outside this area. The remaining option, then, is to drop some cases from the truth table in order to eliminate contradictions. The steps used to decide which cases to remove is described in detail in the analysis section below.

Before moving on to discuss how conditions are operationalized, a note should be made on the follow-up process tracing, which addresses the second research question in this dissertation, concerning the mechanisms that link the conditions identified through QCA to the outcome of deconsolidation. While the term *case* is used in this chapter to describe individual country-period observations, when moving on to contextualize the results through process tracing, the same term will be used to designate the countries of interest over the entire 2005-2014 period.

#### **4.2.2. Conditions and operationalization**

Earlier in Chapter 2, external embeddedness was described as having three dimensions: socio-economic context, civil society, and international integration. A reminder of how these conditions were operationalized follows. Firstly, I suggested breaking down integration into two components: the bargaining power that each member state has in its relations with the EU, and the EU's vulnerability in relation to its member states, defined as the capacity to implement effective sanctions in cases of legal non-compliance that threaten democracy at the domestic level. Similarly, the socio-economic context was separated into elements reflecting the economic and social dimensions respectively. Unlike the first two conditions of external embeddedness, however, civil society is not easy to operationalize for QCA testing in a meaningful way. This is because, while several indicators measuring various aspects of a country's civil society do exist, none of them reflect the concept as Wolfgang Merkel described it for external embeddedness<sup>9</sup>. The EU's sanctioning capacity is in a similar situation. A possible option would be to use transposition and infringement as a way to measure EU vulnerability. Extensive data is available from the European Commission, but it is largely focused on trade, labor and environmental issues, and thus not a particularly meaningful indicator of whether the EU is able to exert any domestic influence to prevent democratic deconsolidation. Thus, civil society and EU vulnerability will be excluded from the QCA part of the analysis and addressed in detail in Chapter 5 as part of process tracing.

This leaves four conditions to be used in QCA: economic context, social context, bargaining power, and populism, whose addition to the model was

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<sup>9</sup> See for example: the USAID Civil Society Organizations sustainability index and Freedom House's civil society indicator as part of the Nations in Transit reports on post-communist countries

explained in Chapter 2. Table 4.1 below shows these conditions, definitions and theoretical expectations about their relationship to the outcome. Calculations for arriving at the final data in Tables 4.2 - 4.3., as well as data sources, are found in the Appendix.

**Table 4.1. Conditions, definitions and theoretical expectations**

CONDITION	NOTATION	DEFINITION	THEORETICAL EXPECTATION
Quality of democracy	D	Changes over time in a country's QOD as measured by the Democracy Barometer	None. D is the outcome
Economic context	E	Changes over time in a country's economic context, measured as the average of GDP/capita, inflation and government debt	An improvement in E is expected to have a positive impact on D. A decline of E is expected to have a negative effect
Social context	S	Changes over time in a country's social context measured as the average of its Gini coefficient, unemployment rate and percentage of population at risk of poverty and social exclusion	An improvement in S is expected to have a positive impact on D. A decline of S is expected to have a negative effect
Populism	P	The presence or absence of populist parties in a country's legislative body at any point during the reference period	The presence of P is expected to have a negative impact on D. The absence of P is expected to have a positive or neutral effect on D
Bargaining power	B	Changes over time in a country's bargaining power relative to the EU measured as the average of the country's share of the EU's GDP, share of votes in the Council and percentage of population who responded negatively to the Eurobarometer survey question "Do you tend to trust the EU?"	An increase in B is expected to have a negative impact on D. A decline in B is expected to have a positive impact on D.

#### 4.2.3. Working with theory: translating democratic embeddedness into set-theoretic language

At first glance, it is tempting to assume that Wolfgang Merkel (2004) makes no clear statements about the necessary or sufficient character of the components of external embeddedness. On a closer reading, however, it becomes clear that some of the formulations in the text can be translated into set-theoretic language quite easily. To begin with, Merkel states that, while a country's level of economic prosperity has a positive impact on QOD, it is not 'the *conditio sine qua non* for democracy' (p. 44). In other words, Merkel rules out the necessary character of the economic context (E) when considered independently. Further, he explains that a prosperous economy must be complemented by high levels of equality, which prevents significant income gaps and guarantees that fewer people are forced to live below the poverty line. Thus, it is not enough that a country have a developed economy in order to be a strong democracy, but also a fair distribution of resources and pluralization of social structure. A set-theoretic interpretation of this statement would place the economic and social contexts together under the assumption that E has an impact on QOD only in combination with favorable social conditions (S). In short, according to Merkel, E and S by themselves are INUS conditions, and their conjunction (ES) forms one of the sufficient conditions for an improvement in QOD.

The international integration component of external embeddedness requires more interpretation to determine whether it is necessary or sufficient. In the QCA part of the analysis, bargaining power (B) is used as an indicator of how well an individual member state can potentially prevent the EU from imposing domestic sanctions in cases of QOD decline. The theoretical expectation here is that a weakening in bargaining power is beneficial for maintaining QOD, and vice-versa. Merkel states that integration into international and regional organizations has a positive impact on the stability and quality of a democracy. In the context of the EU, which has proven to be successful in consolidating CEE democracies during the accession period, the relationship between QOD and membership is inverse to how it is considered in this study. Here, the assumption is that being an EU member has a positive impact on a country's democracy. However, from the point of view of the accession process, being an established democracy is a requirement in order to be granted membership. Put differently, democracy is a necessary condition for membership, but flipping this perspective results in membership being a feature that occurs only in tandem with democracy: all EU member states are

consolidated democracies, but not all democracies are EU members. In set-theoretic language, this makes international integration, here expressed through bargaining power, sufficient for QOD, since it occurs when the outcome occurs, but it is not, by itself, necessary.

The rise of populism (P) among CEE countries is not included in the original embeddedness model, so its set-theoretic translation needs to be addressed separately, but the approach is quite similar to the one above. The broad hypothesis is that a strong presence of populist parties in the legislative has the potential to destabilize democracy, so the relationship between the condition and outcome is inverse. But, as with integration, the assumption that P is by itself a *necessary* condition rests on a weak theoretical basis. The absence or diminishing influence of populist parties does not guarantee a stronger democracy. Thus, similarly to B, P is treated as an INUS condition that occurs in combination with other single conditions in sufficient conjunctions. In sum, the core theoretical assumptions of the embeddedness model are as follows:

- none of the four single conditions is by itself necessary to produce the outcome
- E and S *must* occur together and their conjunction ES forms a sufficient condition
- no clear statements can be derived about B and P other than that they INUS conditions; all possible conjunctions are assumed before minimizing the set-theoretic translation to its most parsimonious form

Having clarified these assumptions, embeddedness can now be translated into set-theoretic language using the rules of Boolean algebra for combining logical operators in complex sets (Schneider and Wagemann 2012, p. 48-51). The result is as follows:

$ES + ES\sim P + ES\sim B + ES\sim P\sim B + \sim P\sim B$  becomes  $ES + ES(\sim P + \sim B) + \sim P\sim B$  becomes

$$ES + \sim P\sim B \rightarrow D$$

In other words: an improvement in economic conditions AND in social context OR a decline in the influence of populist parties (or absence thereof) AND a decrease in bargaining power are sufficient for an improvement in QOD. The reverse is also true according to the theoretical expectations described in Table 4.1, so the theoretical formula for QOD decline is simply:

$$\sim E \sim S + PB \rightarrow \sim D$$

It is essential to note here that the goal of these expression is to reflect theory as accurately as possible. According to Boolean rules, the negation of  $ES + \sim P \sim B$  would not be  $\sim E \sim S + PB$  but  $(\sim E + \sim S) * (P + B)$ . Furthermore, as shown in the previous chapter, the explanations for the presence and absence of the outcome are asymmetrical. This means that the application of QCA should not yield empirical evidence that  $ES + \sim P \sim B \rightarrow D$  and its (theoretical) negation are simultaneously true. Wolfgang Merkel, however, clearly states that the explanations for the presence and absence of the outcome are symmetrical. Thus, in order to satisfy both logical rules and theoretical assumptions, the two expressions as considered valid explanations of their respective outcomes but mutually exclusive: if empirical evidence is found that  $ES + \sim P \sim B \rightarrow D$ , it is unlikely that empirical evidence in support of  $\sim E \sim S + PB \rightarrow \sim D$  will be found.

The purpose of translating external embeddedness into set-theoretic language is theory testing. This way, it is not only possible to observe how well theory explains the cases, but also what the cases covered by terms that do not appear in the theoretical formula reveal about the nature of embeddedness. In technical terms, this is done by intersecting the theory and solution formulas. The extent to which the two coincide will be examined once the solution formulas for both the presence and absence of the outcome have been found.

### 4.3. Analysis

This analysis is structured in three parts. In the first section I present the original data, dichotomization, QCA truth table and a method for solving contradictory configurations before proceeding with minimization. In the second section I conduct the analysis and interpretation of necessary conditions and their use for theory testing. In the third section I find and analyze sufficient explanations separately for the presence and absence of the outcome, focusing on the intermediate QCA solution for substantive interpretation. I then conclude theory testing by confronting the original external embeddedness model with the results.



### 4.3.1. Data and truth table

Table 4.2 below shows the original and dichotomized data used in this analysis. The individual components of each condition are adjusted to conform to the theoretical expectations presented in Table 4.1 and show the differences between values over each time interval. The 1, 2, and 3 notations for each country in the first column of the table represent 2005-2008, 2008-2011 and 2011-2014 respectively. For example, in the case of Hungary during 2005-2008 (HU1) the economic context declined by 7.25 and by 10.84 in Romania during 2008-2011 (RO2). Note that at this point the positive or negative direction of the change, rather than its intensity, is important. The size and impact of these changes will be addressed in the process tracing stage.

**Table 4.2. Original data**

CASE	E2005	E2008	E	S2005	S2008	S	B2005	B2008	B	P	D
BG1	-	53.85	-	-	28.77	-	-	5.84	-	-	-
CZ1	43.5	45.23	-1.73	17.83	14.8	3.03	11.48	9.92	-1.56	0	0.38
EE1	37.93	40.32	-2.39	22.67	19.4	3.27	8.13	4.68	-3.45	0	0.84
HU1	43.03	50.28	-7.25	22.3	20.4	1.9	9.42	10.68	1.26	1	-0.37
LV1	45.5	46.43	-0.93	30.83	26.47	4.36	9.5	9.53	0.03	1	1.41
LT1	55.83	63.91	-8.08	28.53	22.87	5.66	6.63	5.93	-0.7	1	1.04
PL1	58.87	59.37	-0.5	32.93	23.2	9.73	11.37	9.49	-1.88	1	0.59
RO1	-	47.51	-	-	28.57	-	-	6.93	-	-	-
SI1	40.16	40.98	-0.82	16.27	15.43	0.84	8.12	6.75	-1.37	1	0.02
SK1	51.94	49.24	2.7	24.87	17.97	6.9	8.44	6.37	-2.07	1	-3.24
CASE	E2008	E2011	E	S2008	S2011	S	B2008	B2011	B	P	D
BG2	53.85	56.71	-2.86	28.77	31.8	-3.03	5.84	6.69	0.85	1	-5.24
CZ2	45.23	50.47	-5.24	14.8	15.73	-0.93	9.92	15.08	5.16	1	2.77
EE2	40.32	42.51	-2.19	19.4	22.43	-3.03	4.68	7.74	3.06	0	-0.33
HU2	50.28	60.89	-10.61	20.4	23.13	-2.73	10.68	12.53	1.85	1	-3.86
LV2	46.43	55.81	-9.38	26.47	30.47	-4	9.53	11.2	1.67	1	0.17

LT2	63.91	69.23	-5.32	22.87	27.17	-4.3	5.93	7.59	1.66	1	-0.27
PL2	59.37	61.8	-2.43	23.2	22.67	0.53	9.49	12.18	2.69	1	1.09
RO2	47.51	58.35	-10.84	28.57	27.2	1.37	6.93	9.03	2.1	0	1.03
SI2	40.98	53.14	-12.16	15.43	17.1	-1.67	6.75	12.46	5.71	1	-0.01
SK2	49.24	54.71	-5.47	17.97	20	-2.03	6.37	10.93	4.56	1	-2.77
<b>CASE</b>	<b>E2011</b>	<b>E2014</b>	<b>E</b>	<b>S2011</b>	<b>S2014</b>	<b>S</b>	<b>B2011</b>	<b>B2014</b>	<b>B</b>	<b>P</b>	<b>D</b>
BG3	56.71	60.69	-3.98	31.8	28.97	2.83	6.69	8.88	2.19	1	-1.29
CZ3	50.47	52	-1.53	15.73	15.33	0.4	15.08	14.68	-0.4	1	-0.52
EE3	42.51	44.88	-2.37	22.43	23	-0.57	7.74	5.5	-2.24	0	1.94
HU3	60.89	58.83	2.06	23.13	22.7	0.43	12.53	12.15	-0.38	1	-0.12
LV3	55.81	55.39	0.42	30.47	26.33	4.14	11.2	8.98	-2.22	1	0.23
LT3	69.23	69.21	0.02	27.17	24.33	2.84	7.59	5.94	-1.65	1	2.49
PL3	61.8	60.97	0.83	22.67	21.5	1.17	12.18	10.96	-1.22	1	-1.59
RO3	58.35	61.6	-3.25	27.2	27.37	-0.17	9.03	8.92	-0.11	1	-1.47
SI3	53.14	66.22	-13.08	17.1	18.37	-1.27	12.46	12.4	-0.06	0	-0.78
SK3	54.71	58.98	-4.27	20	19.23	0.77	10.93	12.74	1.81	0	-2.04

**Table 4.3. Dichotomized data**

<b>CASE</b>	<b>E</b>	<b>S</b>	<b>P</b>	<b>B</b>	<b>D</b>	<b>CASE</b>	<b>E</b>	<b>S</b>	<b>P</b>	<b>B</b>	<b>D</b>	<b>CASE</b>	<b>E</b>	<b>S</b>	<b>P</b>	<b>B</b>	<b>D</b>
BG1	-	-	-	-	-	BG2	0	0	1	1	0	BG3	0	1	1	1	0
CZ1	0	1	0	0	1	CZ2	0	0	0	1	1	CZ3	0	1	1	0	0
EE1	0	1	0	0	1	EE2	0	0	0	1	0	EE3	0	0	0	0	1
HU1	0	1	1	1	0	HU2	0	0	1	1	0	HU3	1	1	1	0	0
LV1	0	1	1	1	1	LV2	0	0	1	1	1	LV3	1	1	1	0	1
LT1	0	1	1	0	1	LT2	0	0	1	1	0	LT3	1	1	1	0	1
PL1	0	1	1	0	1	PL2	0	1	1	1	1	PL3	1	1	1	0	0
RO1	-	-	-	-	-	RO2	0	1	0	1	1	RO3	0	0	1	0	0
SI1	0	1	1	0	1	SI2	0	0	1	1	0	SI3	0	0	0	0	0
SK1	1	1	1	0	0	SK2	0	0	1	1	0	SK3	0	1	0	1	0

All calculations for arriving at the data in this table can be found in the Appendix. From this point, dichotomization is straightforward. Where an increase over time

is observed, the case receives a value of 1, and a 0 in case of a decrease. Dichotomization for P is already done as part of the data collection process (See Appendix 2) and shows whether or not any populist parties held seats in the country's parliament during the reference period (dichotomized as 1 and 0 respectively). The analysis that follows in this chapter is done using the RStudio software and R packages 'SetMethods' (Medzihorsky et al., 2016) and 'QCA' (Duşa, 2018a, 2018b; Thomann et al., 2018<sup>10</sup>

### ***Truth table and solving contradictions***

A QCA analysis using crisp sets is particularly prone to generating logical contradictions: truth table rows where cases show the same configuration of conditions but opposite outcomes. Table 4.4 below is a truth table constructed based on the dichotomized data and shows that, at this initial point, all but the first and last rows contain contradictions. This is indicated by the inclusion and PRI (proportional reduction of inconsistency) parameter, which reflects the degree to which a case is a member of the outcome and the absence of the outcome. With crisp sets membership should be either 0 or 1, meaning that the PRI value for each row shows the proportion of cases for which the outcome is present. For instance, in the second table row, three cases (LT1, PL1, SI1) have the outcome 1, as noted in parentheses next to each, while two cases (CZ3 and HU3) have the outcome 0. Thus, with three out of five cases showing a positive outcome, the value of PRI for that row is 0.600.

How should these contradictions be dealt with? Firstly, there are good reasons why adding or dropping conditions is not appropriate here: the main goal of this chapter is to use QCA for theory testing, which makes it difficult to add or eliminate further conditions without deviating too much from the theory and, of course, generating more logical remainders. The second reason has to do with the approach to cases: individual observations are not countries, but rather country-periods, so dropping one or more observations will still allow for some (albeit more limited) understanding of what caused QOD to fluctuate. Similarly, due to how dichotomization is used here, there is little leeway for re-coding the conditions or outcome. Overall, the model is set up to be rather rigid at this stage of the analysis, which leaves with the option of manipulating cases in order to solve contradictions

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<sup>10</sup> Latest updates cited for current reference. Previous versions of the packages were used for the analysis in 2017

**Table 4.4. Truth table before adjustments**

E	S	P	B	D	Incl.	PRI	Cases
0	1	0	0	1	1.000	1.000	CZ1(1), EE1(1)
0	1	1	0	0	0.600	0.600	LT1(1), PL1(1), SI1(1), CZ3(0), HU3(0)
0	0	0	0	0	0.500	0.500	EE3(1), SI3(0)
0	1	0	1	0	0.500	0.500	RO2(1), SK3(0)
0	1	1	1	0	0.500	0.500	HU1(0), LV1(1), PL2(1), BG3(0)
1	1	1	0	0	0.500	0.500	SK1(0), LV3(1), LT3(1), PL3(0)
0	0	1	1	0	0.286	0.286	BG2(0), HU2(0), LV2(1), LT2(0), SI2(0), SK2(0), CZ2(1)
0	0	1	0	0	0.000	0.000	RO3(0)
0	0	0	1	0	0.000	0.000	EE2(0)

A dilemma must be addressed when choosing how to proceed with this: re-considering cases in a thicker manner to determine whether they are indeed part of the relevant population, or whether others could be added, has consequences for research questions posed in this dissertation at a stage where the analysis has not yet been conducted. On the one hand, adding cases from outside Central and Eastern Europe would expand the research scope beyond the point of interest. On the other hand, dropping cases based on a thicker examination may still not be enough to solve all contradictions. Therefore, I argue for a more technical strategy<sup>11</sup> of dropping cases, in line with both the goal of theory testing, and the need to solve existing contradictions, as follows:

First, the *observed outcome* is marked in brackets next to its corresponding case. Then, using the set-theoretic translation of democratic embeddedness, the *theorized outcome* that may be observed for each row is stated, based on the presence of at least one of the two theorized solution terms (see Section 4.2.3). If, for example, the solution term  $\sim E \sim S$  is present, as in the case of the seventh table row, the theorized outcome is marked as 0. Based on this, cases where the observed outcome is 1 (CZ2, LV2) should be removed from the row to eliminate contradictions.

<sup>11</sup> Another option would be to lower consistency (PRI) scores, but literature advises against consistency scores below 0.750 because it is difficult, at this point, to argue that a subset relation still exists (Ragin, 2006; Marx and Duşa, 2011) and, as Table 4.4 shows, the highest consistency score besides 1.000 is 0.600

**Table 4.5. Boolean expressions and theoretically supported outcomes**

OBSERVED EXPRESSION	THEORIZED OUTCOME	EXCLUDED CASE
$\sim ES + P \sim B$	1/0	CZ3, HU3
$\sim E \sim S + \sim P \sim B$	1/0	EE3
$\sim ES + \sim PB$	1/0	RO2
$\sim ES + PB$	0	LV1, PL2
$ES + P \sim B$	1	SK1, PL3
$\sim E \sim S + PB$	0	LV2, CZ2

Three configurations still pose a problem, in that the theorized outcome cannot be directly determined, due to the presence of either both, or neither theoretical solution terms<sup>12</sup>. The first and third row in Table 4.5 contain combinations that are not featured in the theoretical formula, while the second row contains both  $\sim E \sim S$  and  $\sim P \sim B$ , meaning that the outcome could go either way.

**Table 4.6. Dichotomized table after adjustment**

CASE	E	S	P	B	D	CASE	E	S	P	B	D	CASE	E	S	P	B	D
2005-2008						2008-2011						2011-2014					
CZ1	0	1	0	0	1	BG2	0	0	1	1	0	BG3	0	1	1	1	0
EE1	0	1	0	0	1	EE2	0	0	0	1	0	LV3	1	1	1	0	1
HU1	0	1	1	1	0	HU2	0	0	1	1	0	LT3	1	1	1	0	1
LT1	0	1	1	0	1	LT2	0	0	1	1	0	RO3	0	0	1	0	0
PL1	0	1	1	0	1	SI2	0	0	1	1	0	SI3	0	0	0	0	0
SI1	0	1	1	0	1	SK2	0	0	1	1	0	SK3	0	1	0	1	0

To solve this problem a more mechanical solution is needed based on the argument that a higher number of cases showing a certain outcome serves as more solid empirical evidence for the relationship between the sufficient expression and said outcome. Based on this, the smallest possible number of cases is dropped from the first row, resulting in the exclusion of CZ3 and HU3. The remaining rows contain two cases each, so the case showing a positive outcome is dropped, in line with the research design's focus on deconsolidation, expressed as the absence of the outcome. Table 4.6 shows the adjusted dichotomized data. This strategy results in the exclusion of ten cases. The remaining 18 are evenly distributed over time, with six cases covering each of

<sup>12</sup> Note that in this case the term 'or' maintains its regular semantic meaning and is not equivalent to the logical OR.

the 2005-2008, 2008-2011 and 2011-2014 intervals. It is also important to note that none of the ten CEE countries are completely excluded through this strategy - each country is represented in at least one time interval. With the logical contradictions in the original data now resolved, the next step is to draw up the adjusted truth table (Table 4.7) including all logical remainders. The new truth table shows a moderate degree of limited diversity, with four cases being covered individually by unique expressions.

A natural criticism of this strategy would point out that it operates on a positive selection bias, especially since one third of the cases are dropped as a result. Admittedly, six of the ten cases are indeed excluded because they do not conform to theoretical expectations. In effect, this sets up a less demanding test for the model by limiting the population to a subset of most likely cases. However, as I explained in Chapter 3 when arguing for the use of csQCA over set-theoretic approaches that preserve more fine-grained information, a less demanding test is not necessarily a problem at this analytical stage. It is essential to keep in mind that it is not the full model that is being tested here: the international integration and civil society components of external embeddedness are either partly or completely excluded due to operationalization issues. As such, setting up a more difficult test by preserving a larger number of cases that challenge the theoretical form of the model at this point may undermine the following analytical stage by producing empirical regularities that are less relevant to the complete theoretical form of external embeddedness.

Regardless, this exclusion strategy offers two valuable pieces of information. Firstly, it begins to address a question of scope: to what extent can embeddedness, in this form, explain QOD fluctuations in CEE countries? The answer, with a third of the cases excluded, is: not very well. This implies that, although we cannot derive any information about the necessary or sufficient character of international integration or civil society from the QCA stage, they are indeed essential to a robust explanation. The second piece of information singles out the cases that do not conform to the theoretical expectations of external embeddedness. And, although no countries are fully excluded over the 2005-2014 period, three of them - Poland, Latvia and the Czech Republic - are eliminated over two out of the three intervals. This may be used as a starting point for a more in-depth, within-case analysis about their trajectory in relation to external embeddedness.

**Table 4.7 Adjusted truth table**

E	S	P	B	D	Incl.	PRI	Cases
0	1	0	0	1	1	1	CZ1, EE1
0	1	1	0	1	1	1	LT1, PL1, SI1
1	1	1	0	1	1	1	LV3, LT3
0	0	0	0	0	0	0	SI3
0	0	0	1	0	0	0	EE2
0	0	1	0	0	0	0	RO3
0	0	1	1	0	0	0	BG2, HU2, LT2, SI2, SK2
0	1	0	1	0	0	0	SK3
0	1	1	1	0	0	0	HU1, BG3
1	0	0	0	?	-	-	-
1	0	0	1	?	-	-	-
1	0	1	0	?	-	-	-
1	0	1	1	?	-	-	-
1	1	0	0	?	-	-	-
1	1	0	1	?	-	-	-
1	1	1	1	?	-	-	-

#### 4.3.2. Analysis of necessity

The analysis of necessity is focused on three points. Firstly, substantive interpretation is given only for those necessary conditions that have a high degree of relevance. Secondly, theoretical assumptions are used to check whether there are any ‘hidden’ necessary conditions that are observed empirically, but the analysis has omitted. And finally, theory testing is conducted for necessity.

#### *Interpreting necessary conditions*

Table 4.8 show the conditions, or combinations thereof, that emerge as necessary, both for D and  $\sim$ D. In this section, they are interpreted in terms of relevance and relationship with theory, while the substantive interpretation of empirical evidence pertaining to these is examined as part of the analysis of sufficiency.

How is the relevance of a necessary condition determined? Goertz (2006) notes that there are many conditions in social science that can be interpreted as necessary, but the fact that they occur so commonly reduces their impact on the outcome. For example, the fact that a democratic country holds regular elections does not say much about the quality of its democracy, since all democracies hold regular elections. Moreover, given empirical evidence, this criterion alone cannot even differentiate accurately between democracies and non-democracies. In practice, there are no observable cases that would contradict the statement ‘holding regular elections is a necessary condition for a high levels of QOD’, but there is also little significance in the knowledge. Thus, regular elections are a necessary but fairly trivial condition.

The relevance of necessity parameter (RoN), suggested by Schneider and Wagemann (2012, p. 235-237) takes values between 0 and 1 and assesses whether a condition is trivial or relevant. Values closer to 1 indicate higher degrees of relevance, while those closer to 0 suggest trivialness. Since there is no clear recommendation for a threshold of relevance, this analysis focuses on those conditions with a relevance of necessity higher than 0.800.

**Table 4.8. Analysis of necessity**

Necessary for D				Necessary for ~D			
	Incl.	RoN	Cov.		Incl.	RoN	Cov.
S~B	1.000	1.000	1.000	~S+	1.000	1.000	1.000
				B			
~B	1.000	0.818	0.778				

Firstly, S~B is necessary for D. In other words, an improvement of the social context, combined with a smaller level of bargaining power, is a necessary condition for improving QOD. Indeed, Table 4.7 shows that in all countries where QOD improvement has occurred, there are corresponding changes in social context and bargaining power. This has occurred particularly between 2005 and 2008 where positive democratic trends kept up after eight out of ten CEE countries gained EU membership. Six of them – Czech Republic, Estonia, Latvia, Lithuania, Poland and Slovenia – represent this necessity relation consistently.



The 2011-2014 interval is less represented here because QOD has mostly been on the decline during that period, with the exception of Latvia and Lithuania. On the other hand  $\sim B$  is also necessary by itself, although it shows a lower degree of relevance than in combination with  $S$ . This ties in with the analysis of sufficiency: since both  $S\sim B$  and  $\sim B$  are necessary conditions, they must appear in all terms of a solution formula for sufficiency (see Section 4.3.3 below). When all possible conditions are considered, there are three possible explanations for QOD improvement:  $\sim ES\sim P\sim B$  explains cases CZ1 and EE1;  $\sim ESP\sim B$  explains LT1, PL1 and SI1; and  $ESP\sim B$  explains LV3 and LT3. The first two expressions can be minimized to  $\sim ES\sim B$ , leaving, in effect, two sufficient explanations for improvement. The fact that both  $S\sim B$  and  $\sim B$  are necessary conditions is likely an artefact of how they interact with other conditions as part of complex solution terms prior to minimization.

Moving on to QOD decline, it is apparent that no single condition stands out as necessary, but that the inclusive disjunction  $\sim S + B$  is necessary for  $\sim D$ : in all cases where a decline in QOD occurs, either a deteriorating social context or an increase in bargaining power are present. Interestingly, based on the rules of Boolean algebra,  $\sim S + B$  is the negation of  $S\sim B$ , meaning that the most relevant necessity relations for the absence and presence of the outcome respectively, are symmetrical in logical terms. However, this is not the case for theory. In the set-theoretic translation of embeddedness, the corresponding formulas for the presence and absence of the outcome are:

$$ES + \sim P\sim B \rightarrow D$$

$$\sim E\sim S + PB \rightarrow \sim D$$

Note that  $\sim S + B$  is both observed empirically as a necessary expression, and contained in the theoretical form above. On the other hand, the empirically observed  $S\sim B$  is absent from the theoretical expression describing the presence of the outcome. This already has some implications for theory testing by indicating that, in its most parsimonious form, the embeddedness model is better at explaining deconsolidation, compared to QOD improvement. Whether this is the case in more substantive terms will be examined further in the analysis of sufficiency and through process tracing.

In sum, first part of this analysis reveals two significant necessary conditions for the improvement and decline of QOD respectively.  $S\sim B$  is necessary for a positive democratic trend, while its logical negation,  $\sim S + B$ , is necessary to explain negative trends, and also reflects theoretical expectations

accurately. But are these the only necessary conditions, or is QCA – which, after all, makes use of logical remainders – likely to omit conditions whose necessity can be justified empirically? The following section clarified whether this is indeed the case by attempting to find such a hidden condition.

### ***Searching for hidden necessary conditions***

Schneider and Wagemann (2012, p. 221-225) explain that limited diversity, indicated by the presence of logical remainders, may lead to a situation where a condition that is necessary based on the empirical data at hand may be omitted in the analysis process. Is this the case here? In order to answer this question, it is essential to remember that a necessary condition is always a super-set of the outcome, meaning that if the condition is present, the outcome is also present.

In Table 4.7, in all observed combinations where  $\sim E$  is present,  $\sim D$  is also present. In other words, a deteriorating economic context could be a necessary condition for a decline in QOD. Why, then, does  $\sim E$  not appear among the necessary conditions in the initial analysis? After all, it is the only individual condition that behaves in this way, while  $\sim S$  and  $B$  appear as part of a disjunction. Furthermore, if  $\sim E$  were to emerge as a necessary condition, it carries theoretical implications that contradict the basic assumptions behind the embeddedness model, according to which conditions the economic context alone cannot explain democratic changes, and should be considered in conjunction with the social context.

Schneider and Wagemann suggest the reason why some necessary conditions may be hidden is that, in determining the most parsimonious solution, some untenable logical remainders are inadvertently taken into account. In this case, if  $\sim E$  is determined to be necessary for  $\sim D$  based on truth table observations, any logical remainder where  $E$  is present should not be allocated a hypothetical outcome  $\sim D$ . Since it is therefore impossible to determine what the outcome may be, all logical remainders where  $\sim E$  is absent should be excluded from the analysis of sufficiency, and only those configurations with observed outcomes should be taken into account. There are, however, no logical remainders where  $\sim E$  is present in Table 4.7, so in effect all logical remainders are excluded. Based on this, we can assume that  $\sim E$  is indeed a necessary condition due to its consistent behavior in relation to  $\sim D$  and absence from any untenable assumptions. However, Cooper et al. (2014) explain that, while Schneider and Wagemann's approach of excluding untenable assumptions appears sound at first glance, a deeper examination reveals that it is likely to

‘find’ hidden necessary conditions through a mechanism that generates logical contradictions. Using their argument and bringing logical remainders back into the analysis, I will explain why  $\sim E$  is not, in fact, a necessary condition.

The first step in this demonstration is to consider a counterfactual argument: assume that  $\sim E$  is indeed necessary for  $\sim D$ , as is apparent empirically. In Boolean terms, this is equivalent to saying that  $E$  is sufficient for  $D$ . Similarly, there is already empirical evidence that  $\sim B$  is necessary for  $D$ , which is equivalent to  $B$  being sufficient for  $\sim D$ . To summarize:

*Statement 1:  $E$  is sufficient for  $D$*

*Statement 2:  $B$  is sufficient for  $\sim D$*

If both statements are true simultaneously, what happens if a subset of both  $E$  and  $B$  is found in the logical remainders in Table 4.7? There are actually two of these:  $E\sim S\sim PB$  and  $E\sim SPB$ . If a hypothetical outcome were to be allocated to either, it would be impossible to determine what that should be, since the first statement indicates the outcome should be present, while the second, that it should be absent. Thus, the assumption that  $\sim E$  is a hidden necessary condition for  $\sim D$  generates logical contradictions that cannot be reconciled with other empirical evidence. Cooper et al. explain that, while Schneider and Wagemann’s approach seeks to mitigate the impact of limited diversity on empirical research, it should be used cautiously to uncover necessary conditions. It is possible, based on incomplete data, to make valid (if incomplete) statements about sufficiency. Testing for necessity, however, requires much more rigor and can be done confidently only when all instances of the condition’s *absence* have corresponding empirical observation<sup>13</sup> (Cooper et al. 2014, p. 14).

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<sup>13</sup> Alternatively, going with Schneider and Wagemann’s approach involving untenable assumptions related to logical remainders,  $\sim E$  could be considered a hidden necessary condition, but the relevance of its necessity is in question. It is true that, since  $\sim E$  does not occur in any of the logical remainders, there is no risk of it being included in any untenable assumptions. But  $\sim E$  is a commonly occurring condition in the data regardless of which outcome is associated with it. Therefore, it could be counted as necessary, but trivial condition for  $\sim D$ .

## ***Necessity and theory testing***

The interpretation of necessity for this analysis are summed up as follows:

- $S \sim B$  is a necessary condition for D; its logical negation  $\sim S + B$  is necessary for  $\sim D$
- $\sim E$  is not a hidden necessary condition for  $\sim D$
- Related to the theoretical assumptions laid out in section 4.3.2, neither ES nor  $\sim E \sim S$  are necessary conditions for D and  $\sim D$  respectively

The most important finding is that the analysis of necessity provides empirical support for the embeddedness model when explaining democratic deconsolidation, but there is no similarly consistent evidence that it is able to explain QOD improvement just as well. On the one hand, the results contradict the assumption of symmetry that Merkel himself makes. On the other hand, they satisfy QCA's principle of asymmetry by uncovering logically, but not theoretically, opposite explanations for logically, but not theoretically, opposite phenomena. This is a particularly strong argument in favor of reorganizing the embeddedness model to account for asymmetry. The original approach is attractive thanks to its clarity. However, a closer examination through the lens of set theory reveals the need for a key addition: when applied to multiple cases with different outcomes, it is unlikely that embeddedness is able to explain both the decline and improvement of QOD.

### **4.3.3. Analysis of sufficiency**

The goal of sufficiency analysis is to find alternative, inclusive explanatory paths for the outcome, commonly known as solution formulas. As with necessity, the presence and absence of the outcome is examined separately, because the principle of asymmetry indicates that the explanations for each will likely different permutations of conditions, rather than opposites. In the previous section I have already determined that two conditions,  $S \sim B$  and  $\sim B$  are necessary for D, and  $\sim S + B$  is necessary for  $\sim D$ . This means that all solution formulas found in this section will be subsets of these necessary conditions.

Following QCA practices, there are three types of solutions for each outcome. The conservative solution is obtained by taking into account only those truth table rows that have corresponding empirical cases, and making no

assumptions about logical remainders. As the most complex solution, it is also a subset of all other possible solutions (Schneider and Wagemann 2012, p. 324) The second type, the intermediate solution, is based on eliminating logical remainders, commonly by introducing assumptions about logical remainders that are in line with so-called ‘directional expectations’: based on what theory assumes about each individual condition, a logical remainder is expected to produce, or fail to produce, one of the two possible outcomes. This is usually handled automatically with the software, by including directional expectations for each condition in the R code. Finally, the most parsimonious solution is the one that uses the least possible number of conditions and combination of the AND/OR operators. In the following section I present all three types of solutions for the presence and absence of the outcome (six in total) and then give substantive interpretation only to the intermediate solutions.

### ***Sufficient conditions for QOD decline***

#### **The conservative solution**

Terms	incl	PRI	cov.r	cov.u	cases
~E~S	1.000	1.000	0.727	0.182	SI3; EE2; RO3; BG2,HU2,LT2,SI2,SK2
~EB	1.000	1.000	0.818	0.273	EE2; BG2,HU2,LT2,SI2,SK2; SK3; HU1,BG3

First, the meanings of the parameters appearing in the solutions should be clarified. The two solution terms listed in the left-most column represent alternative sufficient explanatory paths for the outcome. In the case of the most conservative solution, it is either ~E~S or ~EB that explain the outcome ~D. The inclusion column (incl) refers to the minimum sufficiency inclusion score specified during the minimization procedure required for a non-remainder configuration to be coded as positive (Thiem and Duşa, 2013, p. 92). Typically this is used in fuzzy set analysis to determine which cases ‘pass’ a certain specified threshold in order to be included in the analysis, but since this analysis deals with crisp sets, any scores lower than 1 do not make sense and, indeed, should not occur. Similarly, the proportional reduction of inconsistency (PRI) is a parameter that is more telling in the case of fuzzy sets, and reflects the extent to which a condition (or in this case, solution term) is simultaneously a subset of the presence the absence of the outcome. In the case of crisp sets, however, values lower than 1 would, once again, not make sense, and would be excluded

from the analysis should they occur. Next, raw coverage (cov.r) refers to the proportion of cases, out of the total number of cases showing the outcome, which is covered by a solution term. Unique coverage (cov.u) applies to cases that are only covered by one of the solution terms. In this case, the values of raw and unique coverage are the same between the two solution terms, but cov.r and cov.u vary due to the fact that three cases are explained by both solution terms

**The intermediate solution**

Terms	incl	PRI	cov.r	cov.u	cases
<hr/>					
~E~S	1.000	1.000	0.727	0.182	SI3; EE2; RO3; BG2,HU2,LT2,SI2,SK2
~EB	1.000	1.000	0.818	0.273	EE2; BG2,HU2,LT2,SI2,SK2; SK3; HU1,BG3
<hr/>					

The use of directional expectations in determining sufficient explanations means that, at this point, the logical remainders the conservative solution ignores come into play. In practice, directional expectations are applied when the theoretical expectations specified in Table 4.1 are introduced in the automated analysis. Both E and S are expected to have a positive impact on D, while P and B are expected to have a negative one. The theoretical reverse also applies. Thus, the directional expectations are (E = 1, S = 1, P = 0, B = 0) when discussing D, and (E = 0, S = 0, P = 1, B = 1) when discussing ~D. Introducing this information into the analysis should eliminate all logical remainders which do not comply with theoretical assumptions about the conditions and outcome. The overlap between the conservative and intermediate solutions suggests that all simplifying assumptions were dropped. This solution is also more in line with the theoretical assumptions of embeddedness. The first solution term indicates that a deterioration of both economic and social conditions was a factor in the deconsolidation common in 2008-2011. The second term highlights the interplay of economic conditions and bargaining power.

It should also be noted that looking closely at the configurations of individual cases reveals that the solution formula is much closer to the theoretical expression ~E~S + PB compared to the results concerning QOD improvement, which are shown in the following section. It is true that P is absent from the intermediate solution, but this is because a rise in populism has not been observed in three out of the ten cases: Estonia, Slovenia and Slovakia in 2011-2014<sup>14</sup>. Had these cases not been present in the analysis, the intermediate

<sup>14</sup> See Table A.4. in the Appendix

solution would have been  $\sim E \sim S + \sim EPB$ , which closely overlaps with the theoretical expression. This is an interesting addition given the empirical knowledge of the region and time frame. Most cases of deconsolidation, as the original data indicates, occurred in 2008-2011, which covers the height of the financial crisis in Europe, as well as the post-crisis recovery period. This is well reflected in the pattern of overall sharp economic decline, followed by varying degrees of recovery, which was mainly shaped by countries' different approaches to crisis management.

Economic factors do indeed play a crucial role in the region's democratic transformation, and the empirical evidence supports some long established theoretical claims about the link between economy and democracy, as well as the political consequences of the financial crisis, and how populism feeds Euroscepticism. The positive relationship between socio-economic conditions and democracy dates back to Seymour Lipset's classic proposition that *'the more well to do a nation, the greater the chances that it will sustain democracy'* (Lipset 1959, p. 75) and has since been tested extensively and confirmed over large data sets. Common factors explaining the occurrence of democracy are wealth, industrialization, urbanization and education (Lipset 1959; Vanhanen 1984, 1989). The longevity of a democratic regime is also an important determinant in whether or not democracy will continue to survive, as Przeworski et al. (1996) suggest: older democracies are less likely to deteriorate than those which recently completed transition from an authoritarian regime. In a more recent study of the favorable conditions of economic growth, specific to CEE countries, Próchniak (2011) found that structural factors, such as high shares of services in the total GDP, high shares of working-age population and human capital, to be particularly relevant. Along with these, conditions of financial stability, like investment rates, low budget deficits and public debt, and low, stable inflation and interest rates, played an important role in the differentiated growth in the region, both during transition and after accession.

The embeddedness model adds the social context as a *sine qua non* condition for preserving and improving democracy. As previous results show, the addition is indeed a necessary one. From a strictly economic point of view, if matters of equality are excluded, then Lipset's hypothesis that the more 'well to do' a country is, the more likely it is to preserve its democracy, does not really hold. Firstly, although all CEE countries transitioned to market economies roughly over the same period, the different paths they took towards this goal resulted in substantial differences in wealth. Strictly in terms of GDP/capita, as of 2007, Bulgaria and Romania are situated at the lowest end of the wealth

spectrum (with 4,900 and 5,600 euro/capita respectively), while the Czech Republic and Slovenia show the highest levels (15,200 and 17,500 euro/capita respectively). There is also a large gap between Romania, Bulgaria and the following lowest GDP country in the region (Poland with 8,500 euro/capita). This data (Eurostat 2016b) indicates, in tandem with Lipset's hypothesis, that countries in the upper tier should be able to maintain their levels of democracy, while those in the lower tier should have lower-quality democracy or expect deterioration. However, empirical evidence on democratic changes shows that this is not the case, at least for high- and middle-wealth CEE countries. Both Slovenia and the Czech Republic experienced a decline in QOD after 2008, while mid-wealth countries were somewhat of a mixed bag. For example, Latvia improved steadily throughout the decade, while Hungary declined. In the case of Romania and Bulgaria, both lower-wealth countries by a large margin, the hypothesis can be confirmed, not just in terms of GDP/capita but also, for instance, in the lower levels of industrialization. Both Romania and Bulgaria have large shares of the population working in the agricultural sector (30.4% and 19.4% respectively in 2012) compared to the other CEE countries and older member states (EU Agricultural Economics Brief, 2013a) and neither was able to avoid deconsolidation after accession.

Divorcing the impact of economic factors from social conditions provides a very limited picture. True enough, the financial crisis was the main culprit during 2008-2011, but its effects were far reaching in the areas of unemployment, inequality and prospects of poverty (see Table 4.9) Furthermore, public dissatisfaction with domestic economic conditions also fueled populist support and, indirectly, Euroscepticism. The majority of CEE countries which experienced deconsolidation are concentrated in the 2008-2011 period, coinciding with the height of the crisis in Europe. Of ten cases, only Hungary has been on a downward slope since 2005 and continued to destabilize since 2011.

In-depth research into the effects the financial crisis had in the region is relatively sparse, aside from reports by the IMF and the European Central Bank (ECB 2010, IMF 2017), as well as several case studies focused mostly on the Baltic countries and Hungary (Gyórfy, 2015; Kattel, 2010; Kattel and Raudla, 2013; Flamm, 2012). A combination of being rather on the periphery of the financial crisis, and weaker compared to Western economies, meant that the CEE countries were hit in a different way, and with different consequences, than older EU members. For one thing, due to the more pronounced cyclicity of developing economies, CEE countries tended to follow a pattern of sharper decline and faster post-crisis recovery (Gyórfy, 2015). For another, some



international economic and financial links, in particular the strong presence of foreign banks in CEE banking systems, actually had an overall stabilizing effect due to interventions aimed at reducing the initial blow.

**Table 4.9. Changes in the economic and social contexts.**

E				S		
CASE	GDP	INFLATON	GOV. DEBT	GINI	POVERTY	UNEMPLOYMENT
BG2	-2	8.39	2.2	-0.9	4.3	5.7
EE2	-2	6.98	1.6	1	1.3	6.8
HU2	-4	10.86	9.1	1.7	3.3	3.2
LT2	-3	8.55	22.6	-1.5	4.8	9.6
RO3	-3	7.57	5.2	1.5	-0.6	-0.4
SI2	7	4.68	24.8	0.4	0.8	3.8
SI3	0	4.95	34.3	1.2	1.1	1.5
SK2	-4	5.21	21.9	2	0	4.1

Source: Own calculations based on data in the Appendix

The consequences and responses to the financial crisis in CEE countries were differentiated, but several common traits can be identified. Firstly, fiscal consolidation became the main objective of crisis management, whereby governments were concerned with reducing budget deficits and debt accumulation. Secondly, Dietrich, Knedlik and Linder (2011) explain that a banking and a currency crisis occurred in the region at the same time, but once again, with different consequences and in a different form compared to Western countries closer to the crisis' epicenter.

For example, the Baltic countries succeeded in maintaining relatively stable exchange rate regimes, while other currencies, such as those of Poland and the Czech Republic, saw a more serious depreciation. But perhaps the most far-reaching consequence was the dilemma of state intervention in response to the crisis (Staehr, 2010). In addition to controlling deficits and debt, governments also had to intervene to limit socio-economic consequences, such as GDP decline, increased unemployment, its impact on poverty, and potential for creating social unrest. However, this emphasized the extent of their fiscal vulnerabilities and placed constraints on the public sector's prospective contribution to economic stabilization and growth.

The CEE countries that experienced a serious economic downturn can be included in one of four categories based on their responses (Terazi and Senel,

2011; Staehr, 2010). In the first category, Slovenia and Slovakia benefited from their membership in the Economic and Monetary Union in terms of maintaining their credit ratings, but suffered a decline in exports. This was particularly evident in Slovakia, as one of the largest per capita automobile producers in the world. These countries, along with Poland and the Czech Republic, counted on more proactive economic policies to counteract the crisis. Bulgaria and Estonia's response to the ensuing sharp GDP decline was to tighten budgetary discipline, a policy which allowed them to keep the budget deficit under 3%. Hungary and Romania were among the more serious casualties of the crisis and were forced to turn to the IMF in order to finance their deficits. Initially, this had a stabilizing effect, but also constrained the national governments through loan conditionality. Finally, Lithuania is somewhat of an outlier, in that it saw a sharp GDP drop, but was able to finance its deficit without turning to the IMF for support.

Governments' approaches to crisis management spilled over into unemployment, increased inequality and higher risk of poverty. Here too, effects differed, with the Baltic states being hit earlier and more severely. Rising unemployment also had an impact on some long-established patterns in the working age population, which had persisted since before accession (Vidovic, 2012). On the one hand, the gender unemployment gap was temporarily reversed, with men being more affected than women. Higher male unemployment rates occurred in all CEE countries except Poland, Slovakia and the Czech Republic (Eurostat, 2014). In some cases, the gap was quite significant. For instance, in 2009 female unemployment in Lithuania and Estonia was at 8.7% and 8.9% respectively, while male unemployment was 13.3% and 13.4%. The gap was smaller in the three countries with more female unemployment (Poland: 8.6%/7%; Slovakia: 11.2%/9.1%; the Czech Republic: 6.6%/4.6%). On the other hand, youth unemployment, common in the region before accession, also rose, most notably in Lithuania, where it reached nearly 20% (Eurostat, 2016d, 2017a).

The risk of poverty also increased once the crisis hit. Eurostat defines this indicator as the percentage of population experiencing at least one of the following: income poverty, severe material deprivation, and living in a household with very low work intensity. Growing unemployment particularly affected the latter component, defined as the number of persons living in a household where members of working age worked less than 20% of their total potential in the previous 12 months. In addition to unemployment and income poverty, severe material deprivation also deepened during the crisis. Of all CEE countries experiencing deconsolidation during the crisis, Bulgaria and Romania were the

most affected, with 43.6% of Bulgarians and 29% of Romanians living with material deprivation in 2011. In Hungary, 23.4% of the population was living in the same conditions, 19% in Lithuania, 10.6% in Slovakia, 8.7% in Estonia and 6.1% in Slovenia. Structurally, women were more affected nearly across the board, although the unemployment trend did not follow the same pattern. Age-wise, younger people (15-29 years old) were more affected in Estonia, Hungary, Romania and Slovakia, while the elderly (60 years and over) were at increased risk in Bulgaria and Slovenia (Eurostat, 2017a, 2017b). The crisis' socio-economic impact and the governments' approach to mitigating it mainly by cutting spending and increasing taxes, led to public discontent and, as the intermediate solution partially shows, increased the presence and influence of populist parties.

Interestingly, although populism does not feature in the intermediate solution, increased support can be observed in the majority of cases, but was particularly influential in Bulgaria (2008-2014), Hungary (2005-2014) and Lithuania (2008-2011). Bulgaria is one of the success stories of populism in the region, with three parties standing out. The National Movement of Stability and Progress (NDSV) and the Citizens for European Development of Bulgaria (GERB) gained seats in Parliament shortly after their formation, and were able to participate in government coalitions. Ataka, which had a more radical-nationalist platform, was less successful, but still managed to secure seats consistently between 2005 and 2013 (Nordsieck, 2017). Analyzing these parties' respective electoral performance, Cholova and De Waele (2014) suggest the existence of three waves of populism in Bulgaria, starting with the 2001 parliamentary elections, and continuing until 2012-2013. NDSV and GERB followed a similar pattern of initial flash performance (Pauwels, 2014, p. 63) followed by declining support in the following elections, after failing to fulfill their ambitious promises. Cholova and De Waele explain that the main source of populist success in Bulgaria is voters' dissatisfaction with the economy, and the lack of prospects for positive changes. In the last decade, Eurobarometer surveys for the crisis period show that between 80% and 95% of Bulgarian respondents considered the economic situation of their country to be negative (Eurobarometer Interactive, accessed 2 June 2017). Contributing to the lack of prospects was also massive emigration, which caused Bulgaria to lose close to one quarter of its population since the early 90s. In this context, populist parties adopted a strategy of political accommodation to secure public support. However, in the long run, their inability to make good on electoral promises affected their legitimacy in office.

Hungary is another typical illustration of the electoral consequences of economic turmoil. Before the crisis, Hungarian politics were fairly polarized between two stable electoral blocs, with the Hungarian Socialist Party (MSZP) the left, and the Hungarian Civic Alliance (Fidesz) on the right, gradually incorporating the conservative electorate of other, smaller parties (Mészáros et al., 2007). The financial crisis had a serious impact in Hungary, and the policies of MSZP, constrained by IMF loan conditionality, led to dwindling support from impoverished voters. Austerity measures included budget and wage reduction, tax increases and caused a surge in both unemployment and inflation (Becker, 2010). In this context, Fidesz and the more radical Movement for a Better Hungary (Jobbik) were the big winners of the 2010 parliamentary elections at the expense of MSZP, which lost over half of its supporters from the 2006 elections and only managed to secure 20.9% of votes (Nordsieck, 2017). In contrast, Fidesz broke the 50% threshold, with 52.9% of votes. In addition, Becker (2010) finds a correlation between the deteriorating economy and Jobbik's electoral performance in regions with previously strong support for MSZP. Socio-economic problems, such as declining GDP, high unemployment, high proportion of poverty and increasingly xenophobic sentiments perpetuated by right-wing politicians, resulted in former MSZP voters effectively changing their political affiliation. The victory also encouraged Jobbik to frame poverty and welfare cuts in terms of a national threat (Varga, 2014).

Populist support in Lithuania was more moderate compared to Bulgaria and Hungary, although the consequences of the crisis were similarly pronounced. Support for conservative Order and Justice Party (OJP) increased in the 2008 parliamentary elections, but the party only won 10.6% votes and 15 of the 141 seats, in the context of low electoral turnout (Jurkynas, 2009). A similar, but slightly better performance came from the National Resurrection Party (TPP), which won 15.10% votes but later merged with the Liberal and Center Union and no longer held any seats after the 2012 elections. OJP has been part of the Lithuanian parliament over the entire 2005-2014 period, but only as the fourth largest party with low overall political impact (Nordsieck, 2017). Mainstream political actors, such as the center-right Homeland Union and the Social Democratic Party of Lithuania, remained consistently more influential. Lithuania confronted the financial crisis in the context of previously sustained economic growth, and diminished taxes, but also budget deficits that increased during the crisis. In response, the government tightened fiscal discipline early into the crisis. It increased VAT, income and other taxes while also pursuing a retrenchment

policy that resulted in cutting spending, wages and other social benefits (Davulis, 2013)

The cases of Bulgaria, Hungary and Lithuania illustrate different aspects of the crisis' political consequences. Bulgaria and Hungary, which were hard-hit by the crisis, saw a significant surge in populist support, along with the rise of more radical right-wing parties like Ataka and Jobbik. Populist staying power, however, was quite different. In Bulgaria, the failure to fulfill electoral promises in the context of economic decline in an already weak economy led to voter disenchantment, so the initial success of these parties turned out to be neither lasting, nor capable of offering a solution to the overall dissatisfaction with the economic climate. On the other hand, Hungary had a more consolidated populist presence and voter base. MSZP's poor crisis management resulted not only in a radicalization of the political scene, but in electoral migration from one long-established mainstream party towards Jobbik, which capitalized on Hungary's precarious economy by framing the consequences of the crisis in decidedly nationalistic terms. The situation in Lithuania was almost entirely different. Although support for populism had been consistent since 2005, it was also quite weak throughout the crisis. This is surprising, given that the government's response was to increase taxes and cut social spending, a fiscally sound approach that nevertheless resulted in increased unemployment and lower wages. Still, the likely reason why right-wing parties were not able to gain a foothold is that they could not draw on a wide enough electorate for support, or convince voters to change affiliation, as Fidesz and Jobbik had done.

In Hungary and Bulgaria, where the crisis caused an upturn in populist support, economic concerns were at the core of both party programmes and voter expectations – not surprising considering the socio-economic climate. But did more populism also translate into more Euroscepticism and, by extension, increased bargaining power? As with the case with QOD improvement, the main component driving bargaining power in CEE countries is Euroscepticism. The other two components register very little change. Shares in the total EU GDP fluctuated both ways, but in negligible amounts. Voting power remained unchanged during 2008-2011 because no new members had joined the EU to affect proportionality. Later, in 2011-2014, it decreased following Croatia's accession. This leaves Euroscepticism to be examined in both its popular and party-based incarnations.

**Table 4.10. Components of bargaining power**

CASE	SHARE IN EU GDP	VOTING POWER	EUROSCEPTICISM
BG2	0.03	0	2.44
BG3	0	-1.11	7.67
EE2	0	0	9.18
HU1	0.04	-0.24	4.04
HU2	-0.08	0	5.54
LT2	-0.02	0	4.98
SI2	-0.02	0	17.24
SK2	0.02	0	13.68
SK3	0	-0.53	5.96

Source: Own calculations based on data in the Appendix

While public attitudes towards the EU did not deteriorate in CEE countries as strongly as elsewhere in the EU, the crisis reversed the ‘accession effect’ that had previously caused an overall drop in Euroscepticism. Serricchio, Tsakatika and Quaglia (2013) distinguish between three groups of EU members based on changes in public Euroscepticism. None of the CEE countries fall into the category of countries where Euroscepticism remained constant. Most experienced moderate increases of 1-6%, with Slovenia (+12%) and Lithuania (+9%) as outliers. Furthermore, looking at the link between Euroscepticism and public perceptions of economy at the tail end of the crisis, Serricchio et al. find a strongly negative perception of the countries’ economic situation (between 60% and over 90% of respondents), but negative attitudes towards EU membership are more moderate. In the CEE countries where bargaining power is a condition of deconsolidation, negative economic perceptions are particularly strong: 91% in Hungary and Lithuania and 93% in Bulgaria (Eurobarometer 75, 2011). But public opinion on EU membership was both lower and more differentiated. In Hungary 21.9% of respondents stated that they see EU membership as a bad thing, while in Lithuania and Bulgaria percentages were lower (15.6% and 9.7% respectively). In general these countries fit within the EU-wide conclusions of Serricchio et al. about the link between economic climate and EU membership: while the public has a generally very negative perception of their country’s economic situation, it does not appear to be the main source of Euroscepticism

With little evidence of strong public Euroscepticism, one possible hypothesis is that populist parties were mainly responsible for driving up Euroscepticism. Flamm (2012) finds that, although parties were divided on

European integration, opposition went across the political spectrum. For example, in Hungary Jobbik had an obvious radical right-wing stance, but Bulgarian ATAKA did not explicitly position itself either on the right or the left, instead emphasizing nationalism as its core value. Between 2008 and 2011 support for populism grew considerably in Hungary and, to a lesser degree, in Bulgaria and Lithuania. The main actors and their political trajectories are already clear at this point, so the remainder of this section focuses briefly on their stances with respect to integration and the EU.

In Hungary, Jobbik marketed itself via strongly xenophobic and anti-Western language, framing the country's EU membership in terms of 'colonization, which resonated with poorer voters in the eastern region of Hungary. Fidesz, which took over power from MSZP and formed the government in 2010, also adopted a more aggressively nationalist and anti-EU rhetoric, particularly with regard to the EU's strict fiscal demands at the height of the crisis. In Bulgaria, ATAKA put forward a list of twenty principles that establish its strongly nationalist stance. For example, they maintain that taxation should reflect 'the capabilities and needs' of Bulgarians rather than the external requirements of the IMF and World Bank. The party also calls for complete neutrality, withdrawal from NATO and – more drastically – a renegotiation of EU accession chapters that resulted in unfavorable terms for Bulgaria (Novaković, 2008). The case of Lithuania is somewhat vaguer. In its 2008 electoral program the Order and Justice Party takes a surprising pro-EU stance by stating that Lithuania's membership would encourage the country's economic development and offer opportunities for the enrichment of Lithuanian science and culture (Balcere, 2011). In this respect, the OJP makes few references that would clearly position it as an anti-EU or anti-Western party.

Thus, populism, while present in all three cases, had a different impact on party-based Euroscepticism in each. In Hungary two influential right-wing parties took strongly nationalist stances and were openly critical of the EU in the context of the economic crisis, which bolstered popular Euroscepticism. During the same period Bulgaria had the most radically anti-EU party among the three cases, but ATAKA's much weaker popular support meant that it could not become a strong vector of Euroscepticism in the country, where public Euroscepticism after the crisis was also the lowest among all CEE countries. Finally, Lithuania remains an ambiguous case despite the long-term presence of populism, as the rise in Euroscepticism cannot be explained by the OJP's political program, and the party's voter base was in any case quite small. Most likely, public Euroscepticism can be explained by looking at the domestic socio-economic impact of the crisis.

Another two possible explanations for how Euroscepticism fluctuated in the region should be taken into account. Firstly, while party-driven Euroscepticism was very much present in Hungary and Bulgaria, much of the criticism aimed towards international actors during the crisis was directed towards the IMF and the World Bank rather than the EU. While Jobbik and ATAKA both pushed for less external involvement into their countries' politics and economies, neither advocated directly for leaving the EU, which would suggest that, surprisingly, their brand of Euroscepticism is softer than first assumed (Taggart and Szczerbiak, 2008, p. 7-8). Another possible explanation relies on how public Euroscepticism is typically measured in the Eurobarometer reports. Questions like 'Is EU membership a good or bad thing?' and 'Do you tend to trust or distrust the EU?' are rather vague. This is well reflected in the high percentages of 'Neither good nor bad' or 'I don't know' responses. The impact of the crisis in the region, although quite severe, did not radically alter public perceptions of the EU. As conditions of deconsolidation, the economy, populism and Euroscepticism do, of course, interact. But while the link between populism and the economy is evident, the links between the economy and Euroscepticism, and populism and Euroscepticism respectively, are weaker.

**The most parsimonious solution**

Terms	incl	PRI	cov.r	cov.u	cases
B	1.000	1.000	0.818	0.273	EE2; BG2,HU2,LT2,SI2,SK2; SK3; HU1,BG3
~S	1.000	1.000	0.727	0.182	SI3; EE2; RO3; BG2,HU2,LT2,SI2,SK2

The difference between the intermediate and most parsimonious solutions is that ~E has been eliminated. Much of the explanation for this lies in the previous explanation about why ~E is not a hidden necessary condition, although from the data it appears that it should be. If ~E had indeed been necessary, it would have also appeared in every term in the solution above. The (un)necessary character of ~E is, however, quite interesting. From the QCA standpoint, it is already clear that it is not necessary. But the substantive interpretation of the intermediate solution provides empirical evidence that ~E was a pivotal factor in deconsolidation, affecting all other conditions present in the most parsimonious solution. Two technical lessons can be drawn from this contradictory finding. The first is that there is much value in interpreting the intermediate solution over the most parsimonious one. The most parsimonious



solution may seem attractive for its ability to reduce information to its simplest form, while at the same time saying something about all cases of interest. Nevertheless, parsimony comes at a cost that may be quite significant when emphasizing the technical aspects of QCA. Proving that  $\sim E$  is not a hidden necessary condition from a set-theoretic perspective is straightforward, as can be seen in section 4.3.2 of this chapter. But this is one of the points where the language of logic fails to reflect reality. If interpretation had been based on the most parsimonious solution instead, results would have found, inevitably, that  $\sim E$  plays an important role in the evolution of  $\sim S$ ,  $P$  and  $B$  together, therefore showing that it is more value in focusing on the intermediate solution from the beginning.

The second lesson follows from the first and deals with the weight researchers may be tempted to place on QCA as a technique over more detailed follow-up studies. QCA is formulaic, as indeed it aims to be. But the ability to produce a neat explanation for complex phenomena does not make it infallible. This is why the process of obtaining solution formulas, as well as information on necessary conditions, is only one step in a more complex approach to empirical data. The difference between the intermediate and most parsimonious solutions explaining deconsolidation is a cautionary tale about QCA usage. Both results are technically correct, but in practice any attempt at substantive interpretation for the latter should signal that the former is more accurate in reflecting observed reality.

***Sufficient conditions for QOD improvement***

**The conservative solution**

Terms	incl	PRI	cov.r	cov.u	cases
<hr/>					
$\sim ES \sim B$	1.000	1.000	0.714	0.286	CZ1,EE1; LT1, PL1, SI1
$SP \sim B$	1.000	1.000	0.714	0.286	LT1,PL1,SI1; LV3,LT3
<hr/>					

The conservative solution, which uses only the observed positive configurations, shows the most complex configurations explaining QOD improvement in the region. The first solution term indicates that a combination of economic recession combined, surprisingly, with an improvement of social conditions and a decline in bargaining power is one of the explanatory factors of this trend in a

limited number of CEE countries. The other maintains the improved social conditions/declining bargaining power combination, but shows that populism is also present in the mix. Although both economic conditions and populism disappear once directional expectations are introduced, there is nevertheless a more substantive interpretation of their presence: firstly, economic decline is present over the 2005-2008 period but, compared to the crisis and post-crisis periods, it is quite small (See Table A.1 in the Appendix). Thus, the presence of economic decline in the solution is a consequence of dichotomization which, at this stage of the analysis, does not discriminate between degrees. A more in-depth analysis of the cases would certainly have to account for the intensity of economic decline and its differentiated consequences. Similarly, a possible explanation for the counter-intuitive presence of populism in the second solution term is that Euroscepticism is not an implied feature of populism. Therefore, the presence of populism does not preclude a decline in bargaining power.

**The intermediate solution**

Terms	incl	PRI	cov.r	cov.u	cases
S~B	1.000	1.000	1.000	1.000	CZ1,EE1; LT1,PL1,SI1; LV3,LT3

The intermediate solution above shows that the reduction of complexity has eliminated two INUS conditions that appear in the conservative solution. Both ~ES~B or SP~B have been reduced to S~B, which now covers all seven cases and is equivalent to the necessary condition uncovered in the previous section of this chapter. The original raw data from Table 4.2 is used to interpret this solution substantively. This is necessary because the choice of crisp-set QCA inevitably leads to loss of information, so not all cases of QOD improvement should be interpreted in the same way. This is where differences in degree must be accounted for, as shown in the table below.

**Table 4.11. Conditions of QOD improvement**

<b>CASE</b>	<b>S</b>	<b>B</b>	<b>D</b>
CZ1	3.03	-1.5	0.38
EE1	3.27	-3.43	0.84
LT1	5.67	-0.68	1.04
LT3	2.83	-1.64	2.49
LV3	4.13	-2.55	0.23
PL1	9.73	-1.75	0.59
SI1	0.83	-1.35	0.02

Source: Calculations in the Appendix

With only a few exceptions, all cases in this category have seen a decline in poverty and unemployment rates, and an increase in the equality of income distribution as indicated by smaller Gini coefficient values (Table 4.12). Interestingly, social context does not follow the same patterns as economic context – quite the opposite, in fact. As Table 4.6 indicates, of the 18 cases included in the adjusted data, there are 10 where S receives a score of 1, but only two (Latvia and Lithuania in 2011-2014) where E receives the same score (interestingly, these are also the only two cases where S has seen a positive trend, but the levels of inequality rose slightly). This means that increasing levels of equality and a decline in the population at risk of poverty do not occur as a consequence of economic growth over the same period.

**Table 4.12. Components of social context (S)**

<b>CASE</b>	<b>GINI</b>	<b>POVERTY</b>	<b>UNEMPLOYMENT</b>
CZ1	-1.3	-4.3	-3.5
EE1	-3.2	-4.1	-2.5
LT1	-1.8	-12.7	-2.5
PL1	-3.6	-14.8	-10.8
SI1	-0.4	0	-2.1
LT3	2	-5.8	-4.7
LV3	0.4	-7.4	-5.4

Source: Calculations in the Appendix

Untangling the relationship between economic growth and inequality, which is reflected in all three dimensions of the social context shown in the table above, is surprisingly difficult in Central and Eastern Europe. For one thing, evidence from the post-accession period cannot be interpreted accurately

without examining the transition processes that carried former communist countries on the way to EU membership. For another, there is currently less research on how the social context in these countries has evolved after accession, compared to a wealth of studies dealing with the first post-communist decade.

Transition was a complex process leading to economic, social, political and cultural changes that did not happen independently of each other. This is well reflected in the literature on pre-accession transformations in the region, which finds evidence that inequality is not strictly linked to economic processes, but is also influenced by ethnically motivated social exclusion and low levels of political representation. In general terms, Kuznets (1955) notes that the stage of economic development a country is traversing has a significant impact on inequality. Higher levels of inequality can be observed in less developed economies due to the fact that a disproportionate amount of wealth is owned by a small, high-income segment of the population. But there are also less obvious findings, such as a weaker link between inequality and growth, compared to growth and poverty (Deininger and Squire, 1996)

An increase in levels of inequality after the fall of communism is well documented in Central and Eastern Europe (Bandelj and Mahutga, 2010; Peters et al. 2010) but research focusing on the post-accession period is relatively sparse. Bandelj and Mahutga (2010) hypothesize that the multi-dimensionality and systemic changes of the transition period explain rising inequality through four processes: privatization, redistributive state retrenchment, ethno-nationalist discrimination and foreign investment penetration. With regards to the first, the authors argue that a large private sector created premises for differentiation between social categories (for instance, differences in income between individuals working in the private and public sectors) and thus greater levels of inequality. On the other hand, the relationship between inequality and state retrenchment should be inverse: higher levels of state expenditure should contribute to the reduction of inequality. Social exclusion on ethnic grounds is a particularly thorny problem in Central and Eastern Europe. Social and cultural fault lines deepened between ethnic majorities and minorities, perhaps most visibly in the case of Roma communities across the region. This led to further economic and political exclusion through discrimination on the labor market and lack of effective political representation. Finally, the impact of foreign investment on socio-economic equality is, somewhat surprisingly, negative. In post-communist countries, foreign direct investments were heavily concentrated in the trade, business and financial sectors, creating a category of

high-income managerial positions that forced a significant wage gap between employees in multinational and domestic companies and attracted skilled workers in the foreign sector. Bandelj and Mahutga test their hypotheses in the same ten CEE countries used in this analysis, by looking at the impact that the size of the private sector, government expenditure, size of ethno-national minorities and foreign direct investment inflow per capita had on the Gini index. They find that, during the first decade of transition, there was no significant link between economic development and income inequality trends. There was, however, a positive relationship with the size of the private sector, while higher government spending helped reduce inequality. There is also substantial empirical support for the hypothesized relationship between ethnic cleavages and inequality. Furthermore, foreign direct investments correlate positively with inequality and also appear to affect its connection with the size of the private sector.

Another explanation is proposed by Pryor (2014), who finds that, in the early 2000s, growth in GDP/capita, government expenditure for social protection, trade openness and systemic transition, all correlate negatively with inequality in Central and Eastern Europe. Similarly, Rose and Viju (2014) find that, between 1990 and 2006, inflation, private sector size and whether a country is considered low, middle or high income had significant effects on inequality as measured by the Gini index. In both high income countries (Czech Republic, Estonia, Hungary, Poland and Slovakia) and middle income countries (Bulgaria, Latvia, Lithuania, Romania) inflation and private sector size correlated positively with inequality. The effect of GDP/capita was also found to be positive in the case of middle-income countries, and negative for high income ones. The effect, however, is not significant, further corroborating previous findings about the link between economic growth and inequality. With regards to unemployment, Vidovic (2002) identifies six common trends among CEE countries prior to accession: (a) significant regional variations in unemployment; (b) rising long-term unemployment; (c) unemployment disproportionately affecting women; (d) increasing youth unemployment; (e) unemployment disproportionately affecting less educated, less skilled workers; (f) higher risk of unemployment for minorities. These patterns both reflect the causes of inequality discussed above, and indicate the general structure of the population at risk of poverty.

At this point, the picture of the pre-accession social context in CEE is fairly clear: the early stages of transition to capitalism were marked by more inequality compared to those in the countries' previous socialist regimes, and research covering the first decade of transition suggests that this state of affairs

continued into the early 2000s. Relatedly, the economic and social contexts defined in this dissertation do not seem to go hand-in-hand in a way that would allow an examination of the favorable economic context as the basis of more equal social conditions. What has changed to enable these cases to maintain a positive trend in equality measures while confronting worsening economic conditions over the same period?

Much of the transition period in Central and Eastern Europe overlaps with the countries' accession process, with all ten formal membership applications being submitted between 1990 and 1996, and has been significantly shaped by it. I suggest that, in the absence of consistent empirical research, the effect of the accession process on inequality should be approached along three dimensions. The first refers to eligibility in the form of the Copenhagen criteria, which establish the basic conditions for membership. Thus, in order to become an EU member, a candidate must first have stable institutions that guarantee democratic rule, human rights and the protection of minorities. Secondly, it must have a functioning market economy and the capacity to cope with the competitiveness of older members. And thirdly, it must have the capacity to implement the obligations of membership and align itself with the political goals of the EU. In addition to these criteria, the implementation of the Community acquis, the corpus of all current EU legislation, is a *sine qua non* condition of membership. In its present format, the acquis has 35 chapters ranging from environmental issues to security and defense policy. Three of these are of particular interest to understand transformations in the social context. Chapter 19 on social policy and employment deals with labor law, equality, workplace safety and anti-discrimination. Chapter 11 on agriculture and rural development formulates rules that members must adhere to in order to maintain the EU's common agricultural policy (CAP) and includes, among other things, measures for developing rural areas. And finally, Chapter 23 on judiciary reforms and fundamental rights indicates that member states must be able to guarantee the fundamental rights of their citizens.

The Copenhagen criteria, together with the acquis, create the legal and political basis for membership and require substantial reforms. For this purpose, during the accession period candidate countries were able to access EU financial instruments whose purpose was to support these changes in several key areas. The most significant of these was the PHARE fund, which had two main objectives: to assist the administration of candidate countries in developing the capacity to implement the acquis and in particular align its industry and infrastructure with Community standards, in areas such as environment,

transport and working conditions. ISPA and SAPARD were two other financial instruments accessible to candidates from 2000 to 2006. The former was aimed at environmental and transport-related reforms, while the latter supported agricultural and rural development.

The integration process did not come to a definitive halt after accession. Conditionality continued in a more diluted form, this time in relation to the process of joining the Schengen area and the Euro zone. (Haughton, 2009). Adopting the common currency requires new members to adhere strictly to the Maastricht (or convergence) criteria, which establish the levels of inflation, government budget deficit, debt-to-GDP ratio, exchange rate and long term interest rate a country must fulfill in order to be able to adopt the Euro. Out of the ten CEE countries five have so far switched to the common currency: Estonia (2011), Latvia (2014), Lithuania (2015), Slovakia (2009) and Slovenia (2007).

Another important vector of continuing integration was the Lisbon strategy, in effect in all member states between 2000 and 2010, whose aim was to create jobs, and encourage innovation and socio-economic growth. According to the European Commission guidelines introduction (European Commission, 2005), the strategy's key areas were: (a) to invest in lifelong learning projects in order to create a more skilled workforce in response to globalization; (b) to promote research and development and encourage collaborations between universities and research institutions across Europe; (c) to reduce the environmental impact of economic growth by promoting environmentally-friendly technologies and slowing the pace of climate change. After 2010 the Lisbon strategy, largely considered a failure, was replaced by the Europe 2020 program.

Although it failed to produce the expected, far-reaching objectives set up in 2000, the Lisbon strategy did have a significant impact in Central and Eastern Europe, particularly in the area of unemployment and reduction of social disparities. Rodriguez et al. (2010, p. 62-70) examine nine indicators related to employment and inequality in EU between 1997 and 2007 and find that, while there was an overall increase in employment rates (including for women and older workers) and relatively high levels of youth education, a few problems, such as long-term unemployment and high poverty rates, persisted in some countries. Some of the changes occurring in CEE countries were quite significant when compared to the old member states. For instance, the unemployment rate was cut nearly in half between 2001 and 2007 in countries like Poland, Slovakia and the Baltic states. Long-term unemployment rates followed a similar path, although overall changes were less dramatic. Consistent reductions occurred in

Poland, Slovakia, the Baltic countries and, to a lesser degree, in Slovenia and the Czech Republic. Unemployment, both long and short-term, highlights some differences between the new member states. Despite significant reductions, Slovakia, Poland and Hungary show consistently higher unemployment rates compared to the EU-25 average, while the Baltics, Slovenia and Czech Republic well below that point (Eurostat, 2017a). The percentage of population at risk of poverty (living below the poverty threshold of 60% of national median disposable income) follows a different – and quite surprising – trend (Eurostat, 2016d, 2017b). In 2007 there were more people at risk of poverty compared to 2001 in almost every EU member state, although there were differences the levels of poverty and degrees of change. Among CEE countries, Poland and the Baltics have some of the highest at-risk rates, while Czech Republic, Slovakia, Slovenia and Hungary are situated below the EU-27 average.

In terms of education, there is a notable discrepancy between the percentage of population in each country that has completed at least upper secondary education (ages 20-24) and those pursuing further education or training (25-64). CEE countries have some of the highest (and most stable over time) rates of secondary education completion. On average, between 2006 and 2014, this percentage has fluctuated between 92.2% in Slovakia, and 78.8% in Romania, compared to the EU-27 average of 79.5%. However, with few exceptions, the population involved in some type of adult education (aged 25-64) is well below EU-27 values. On average, between 2006 and 2014, the lowest percentages are observed in Romania (1.6%) and Bulgaria (1.7%), while the highest, above the EU-27 average of 9.7%, are in Slovenia (14.4%) and the Czech Republic (8.5%) (Eurostat, 2017c).

Although on the surface these results suggest that the Lisbon strategy was largely beneficial to the EU's newest member states, the problem is a little more nuanced. de la Porte and Jacobsson (2010) argue, for example, that the employment strategy model of social investment does not fit well with the socio-economic realities of the new member states for three reasons: weak social partnerships, lack of resources at the local level and the failure of political elites to prioritize social investments over addressing short-term issues. Meanwhile, Davoine et al. (2008) focus on the quality of work under the European Employment Strategy (included in the Lisbon strategy as of 2005). They find that, compared to the old member states, CEE labor markets show several specific characteristics: lower levels of participating in training and education, a higher gender pay gap and higher impact of labor on parenthood (particularly women) and, relatedly, the lowest levels of childcare availability for children up to three



years old. On the other hand there are no significant differences between old and new member states in terms of job satisfaction and job market segregation between men and women. Coupled with the gap between the percentage of population that has completed a form of secondary education, and the markedly lower percentages of those engaged in adult education, these indicators suggest two things. Firstly, while there was a quantitative decrease in the sources of inequality since accession, such as lower unemployment and poverty levels, qualitative changes are not so clear cut. For instance, higher employment for women did not translate into a significant bridging of the pay gap, and some structural problems still specifically affect working women. Similarly, higher levels of education completion do not automatically result in a more skilled workforce without further training and specialization – which empirical evidence shows is lacking in the region. The second aspect these indicators highlight is that quantitative changes may appear significant on their own, but compared to similar transformations in the old member states, they show that for CEE countries integration is an ongoing process whose focus has moved from updating infrastructure and harmonizing legislation, to more concrete socio-economic aspects of catching up with the EU.

These systemic transformations dating back to the early 1990s are not a consequence of transition to a market economy, as much as a necessity for integration. The same is true for democracy, although the normative aspect of whether CEE countries treated democratization as the goal and integration as the means, or vice-versa, is complex and does not lend itself well to regional generalizations. It is worth, at this point, to continue the discussion in the context of integration and turn to the impact of bargaining power in combination with the social context.

From the onset, there is no clear theoretical link between the two conditions. The original goal of operationalizing them was to create a more complex background for examining democracy in light of integration. As such, there was no default expectation that the two would interact. In this research, bargaining power is used as an expression of a member state's potential to disrupt the EU's domestic impact. The underlying assumption is that, in case of democratic deconsolidation, a country with high enough bargaining power should be able to oppose or prevent the EU from implementing the appropriate sanctions.

Bargaining power has three dimensions: economic (a country's share in the EU's total GDP), institutional (voting power in the Council) and political (public skepticism for integration). In the case of CEE countries, the first two

components do not vary considerably from one period to the next, and do not have a major impact on the country's bargaining power. The situation is quite different in countries such as Germany, France or Great Britain, where variations in these individual components would translate into noticeable variations in the overall bargaining power. In the new member states, the source of significant variation comes from citizens' trust, or lack thereof, in the EU. In the intermediate solution, a decrease in bargaining power occurs across the board.

**Table 4.13. Bargaining power (B) components**

CASE	SHARE IN EU GDP	VOTING POWER	SKEPTICISM
CZ1	0.29	-0.24	-4.55
EE1	0.03	-0.09	-10.24
LT1	0.07	-0.14	-1.97
PL1	0.70	-0.61	-5.35
SI1	0.04	-0.09	-4.00
LV3	0.02	-0.16	-7.50
LT3	0.02	-1.86	-3.07

Source: Own calculations in the Appendix

Institutionally, variations in voting power are a technical consequence of enlargement. Between 2005 and 2014 there were two intervals where voting power varies, affecting all EU members to some degree. In 2005-2008 this was caused by Romania and Bulgaria joining the EU, and resulted in an overall decrease in voting power for all other CEE countries, and across the board in the old member states. From 2008 to 2011 there was no change. In 2011-2014 voting power varied again due to Croatia's accession in 2013, but proportionality changes, resulting in increased voting power for larger, old member states, and another overall decrease in CEE countries.

It is worth noting that under current voting procedures in the Council, all ten CEE countries acting in tandem only have the power to influence the outcome of the vote in two situations: when unanimity is required, or in cases where the rule of reinforced qualified majority (which must include at least two-thirds of member states) applies. The countries may, under special conditions, form a blocking minority if their total population represents over 35% of the population of all participating countries. But realistically this is difficult to attain, considering that the total population of CEE countries currently amounts to less than 20% of the EU population.

The situation is similar for the share of countries' GDP in the total EU GDP. Although changes have been positive, indicating an increase for all cases, they are minor compared to the equivalent share of larger, older member states. Germany, France, Italy and Great Britain together consistently make up around 60% of the EU's total GDP whereas CEE countries together only amount to 6 - 7.5% of the total. An increase of the share of GDP is thus not likely to impact the overall amount. The main source of CEE countries bargaining power thus remains public trust in the EU.

It is not surprising that the levels of skepticism with regards to the benefits of integration would be lower immediately after accession and maintain a negative momentum for a while. However, it should also be noted that declining confidence in the EU, which occurred later in the decade-plus since accession, is not an isolated phenomenon specific to CEE countries, but extends to older member states as well. There are numerous approaches in literature to Euroscepticism. For example, a distinction can be made between 'hard' and 'soft' Euroscepticism, depending on how political parties position themselves on the national level with regards to integration (Taggart 1998; Taggart and Szczerbiak, 2008; Leconte, 2010). Hard Euroscepticism can be observed in parties that explicitly oppose integration or believe their country should withdraw from the EU. In turn, parties that exhibit soft Euroscepticism are not against integration altogether, but oppose the EU in certain policy areas or when they believe 'national interest' should be given priority (Taggart and Szczerbiak 2008, p. 7-8).

In a more nuanced approach, Leconte (2010) distinguishes between utilitarian, political, value-based and cultural Euroscepticism, depending on the specific object of opposition. For utilitarian Euroscepticism, it is the gains and costs of integration, while political Euroscepticism is expressed in response to ceding domestic institutional attributions to a supranational system. Relatedly, value-based Euroscepticism criticizes external interference in more fundamental areas, such as human rights, justice, or public order. Cultural Euroscepticism is born out of distrust of Europe in a broader sense, due to perceived incompatibilities between cultural or historical aspects. Magone (2015) further expands the typology of Euroscepticism by comparing it to concepts such as Eurocriticism (essentially a pro-European attitude that nevertheless advocates for changes in current procedures and policy areas), Eurodisenchantment (caused by the perception that the EU has failed its supporters) and Euroenthusiasm (an expression of full support for the European project.)

In this analysis I operationalize skepticism as an expression of public distrust in the EU, using data from the Eurobarometer surveys. The notion of

'trust' is admittedly rather vague, but I opted for it (instead of, for instance, support for integration or attachment to Europe) because the results can be compared to similar data on trust in national democratic institutions. This is especially interesting for the assumption that bargaining power goes hand-in-hand with the potential for democratic deconsolidation. Concretely, I measured skepticism as the percentage of respondents in each country who replied negatively to the question 'Do you tend to trust or not to trust the European Union?' (This includes 'I don't know' answers). Where two surveys were conducted during the same year, the results are averaged. Changes for the relevant cases are shown in Table 4.13.

Literature has thus far identified two sources of declining trust in the EU: public attitudes and party-based Euroscepticism. With regards to the former, Schlenker (2012) studies the attitudinal model towards EU membership prevalent in the CEE countries that joined in 2004. She differentiates between instrumental reasons for support (economic prosperity, freedom of movement, positive changes in personal circumstances), normative reasons (attitudes towards democracy in the EU) and expressive reasons (attachment to the EU or one's own country, cultural identity). Schlenker hypothesizes that the importance of these categories changes before and after accession: instrumental arguments for support become more important after accession, normative arguments less so, while the weight of expressive arguments is constant throughout. Although she finds, unsurprisingly, that there is an overall decrease in public enthusiasm towards membership over time, the explanatory dynamic of the three arguments is different from the one expected. Firstly, instrumental reasons for supporting integration are already very important before accession, but declined after 2004 (although the author suggests the economic crisis brought such concerns back). The importance of normative arguments has not changed significantly after accession, but the expressive reasons, contrary to the original hypothesis, had less explanatory power after 2004. The second source of Euroscepticism is party-based and it is best explained by the distinction between hard and soft Euroscepticism (Taggart and Szczerbiak 2004; 2008). As the two concepts suggest, Euroscepticism does not exclusively characterize far-right parties. Although there is a higher concentration on the right (where parties use Euroscepticism to market themselves to voters), it is present all across the political spectrum, with mainstream parties leaning towards soft Euroscepticism.

How do the two types of Euroscepticism interact in the case of CEE countries? Firstly, five of cases covered by the S~B solution term (LT1, PL1, SI1, LV3, LT3) are countries where populist parties hold seats in the countries'

parliaments during the corresponding time period. However, early in the post-integration period their influence had either not picked up speed (as is the case of Latvia's National Alliance and Lithuania's Order and Justice Party) or was unable to undercut the initial public enthusiasm over EU accession. The evidence of an 'accession effect' is unfortunately rather difficult to find in numbers, although the pattern of decline and increase in public Euroscepticism during 2005-2008 and 2008-2011 respectively is quite evident, as are the mixed attitudes of 2011-2014. In combination with low support for Eurosceptic parties, the overall picture does explain the presence of  $\sim B$  in the solution formula, but it should be emphasized that the link between  $S$  and  $\sim B$  is more tenuous, both theoretically and empirically.

In the remaining two cases covered by  $S\sim B$  (CZ1 and EE1), populism was not a major presence on the political scene, to mobilize public Euroscepticism. In Estonia, the limitations imposed on registering new parties (requiring them to have at least 1,000 members) made it difficult for small, grassroots movements to become effective political actors (Auers and Kasekamp, 2013). A few right-wing players, such as the Conservative People's Party and the Estonian Independence Party, were indeed active during the reference period, but did not hold any seats in the country's legislative body at any point between 2005 and 2014. Similarly, populism did not play a significant role in the Czech Republic prior to 2013, when two parties entered the parliament: the Action of Dissatisfied Citizens (ANO 2011) held 47 seats in the Chamber of Deputies and nine in the Senate, while Dawn of Direct Democracy (Úsvit) won a more modest 14 seats in the Chamber of Deputies. Císař and Štětka (2016) comment that this rise of populism has begun transforming the established party system. Previously, the Czech democracy had featured a stable and closed party system centered around four mainstream parties which, argues Hanley (2012), were ideologically integrated with the Western European party families. The 2005-2008 interval observed in this analysis overlaps, then, with a period of political stability. Democracy in the Czech Republic continued to improve until 2011, but the following period saw a downward turn. These overall trends should not be interpreted in a deterministic way, or even, in the absence of more solid evidence, as being related. Such associations may seem attractive, particularly when they align so neatly. But the theoretical assumption that a surge in populism, together with more bargaining power, has a negative impact on democracy does not account for the scope of this impact, and certainly does not leave room for predicting the direction in which these trends will go.

**The most parsimonious solution**

Terms	incl	PRI	cov.r	cov.u	cases
S*~B	1.000	1.000	0.778	0.556	CZ1,EE1; LT1,PL1,SI1; LV3,LT3

Interestingly, the most parsimonious solution is identical to the intermediate one, so it does not require additional substantive interpretation. In set-theoretic terms, their equivalence simply means that the intermediate solution is not a subset of the most parsimonious one, but that they overlap. The likely reason for this is that the parsimonious solution takes into account all simplifying assumptions (i.e. those logical remainders that contribute to the Boolean minimization process), while the intermediate solution only uses those logical remainders that comply with directional expectations. The fact that these solutions are identical means that all simplifying assumptions are also configurations that comply with directional expectations.

***Sufficiency analysis and theory testing***

From a set-theoretic perspective, it is more difficult to interpret the conditions of QOD improvement than those of decline. The latter also do a better job of reflecting theoretical claims about the dimensions of external embeddedness, particularly with regards to the relationship between economic and social development. The empirical evidence presented in this chapter shows that, where deconsolidation is concerned, a corresponding worsening of both economic and social conditions can be observed. The other explanatory path is very similar to the set-theoretic translation of embeddedness, with the addition of declining economic conditions in combination with rising support for populism and an increase in bargaining power.

One of the results from the earlier analysis of necessity in this chapter is that, while the economic context may appear to be a hidden necessary condition for deconsolidation, a closer look reveals that that is not the case. Sufficiency analysis, however, shows that the economic transformations of 2008-2011 were crucially important for the substantive interpretation of the solution. The intermediate formula, which features ~E in both terms in combinations with ~S and B respectively, allows the inclusion and interpretation of P and is in fact very

similar to the Boolean form of embeddedness -  $\sim E \sim S + PB$ . The only difference appears in the second solution term ( $\sim EPB$  instead of  $PB$ ) which further emphasizes the explanatory power of  $\sim E$ .

Theory testing for the presence of the outcome is less straightforward because the two formulas differ quite a bit (compare  $S \sim B$  and  $ES + \sim P \sim B$ ). The discrepancy between them has a similar explanation to the one discussed during theory testing for necessity. The solution formula  $S \sim B$  shows that, while  $S$  is a necessary condition, and so appears in both solution terms, it does not need to be combined with  $E$ , as Wolfgang Merkel claimed originally. In other words,  $E$  does not have as much explanatory power for  $D$  as  $\sim E$  has for  $\sim D$ , but a higher quality of democracy cannot be achieved without a favorable social context. In combination with the early, mostly positive consequences of EU accession, and weak or absent domestic support for populism, this makes up a complex, but likely region-specific picture. Since most cases of QOD improvement are concentrated in the 2005-2008 period, it is very important to note that the newly completed accession process had far-reaching economic, social and political consequences that are most visible during the first reference period. Where the financial crisis is central to explaining deconsolidation, integration (in a more substantive interpretation not limited to bargaining power) is the main condition responsible, more or less directly, for QOD improvement. The specificity of both geography and time frame means that, should a similar analysis be conducted on old member states, the results will be quite different. For one thing, accession as a mobilizing factor is absent. For another, using bargaining as a surrogate for integration draws a completely different picture in the case of countries like Germany, France or Italy, whose large economies and voting shares in the Council mean that they have much more potential to make an impact individually – something that CEE countries cannot achieve even working in tandem.

In sum, Central and Eastern Europe lends more empirical support for embeddedness when applied to deconsolidation, with the inclusion of economic context in both solution terms. For improvement, however, the explanation is more regionally-bound than general, although it does not directly contradict the embeddedness model.

#### **4.4. Post-analysis: revisiting theory**

In section 4.2 of this chapter I translated democratic embeddedness into set-theoretic language, which made it easier to observe how well theoretical

expectations are supported by empirical findings. Nevertheless, there are some inevitable discrepancies between the original model and its set-theoretic form, resulting from the number of assumptions needed to make verbally expressed sentences amenable to Boolean rules. Truthfully, this is more interpretation than translation, and Wolfgang Merkel likely did not intend his model to be used this way. The set-theoretic approach does, however, contribute to refining the original version by showing exactly how the dimensions of external embeddedness interact with each other – something Merkel does not specify. Furthermore, this analysis shows an example of how theory testing can be achieved with QCA. While the results presented here are specific to Central and Eastern Europe, the same steps can be used to replicate it elsewhere, and note, in particular, whether conditions occur in similar or completely different combinations.

What exactly is lost in translation between the original model and its set-theoretic form? At first glance, the most obvious difference is that, if the presence of conditions explains the presence of the outcome, then the asymmetric character of QCA dictates that their absence should not describe the absence of the outcome, as Merkel states that they do. The assumption that there are different explanations for the two situations is, however, more plausible than the original formula, simply because no expectations are specified about how the conditions interact. From this point of view, it is enough to treat the original statements about the dimensions of external embeddedness as directional expectations, rather than the sole object of empirical testing. The second discrepancy comes from differences between the theorized expressions and the empirical results. To clarify: there were no expectations that the two would coincide perfectly, but that their intersection would show the degree to which theory is reflected in the findings, and what empirical observations can add to theory, with the caveat that this may be population-specific.

What would a ‘back translation’ of the results look like compared to Merkel’s original model? First, it must be emphasized that in QCA, the logical OR is an *inclusive* disjunction, which means that two or more explanations for the same outcome exist at the same time. In the case of the set-theoretic formula for deconsolidation, a back translation would be:



*The dimensions of external embeddedness that have a destabilizing effect on the quality of democracy are: a combination of deteriorating economic and social conditions, OR<sup>15</sup> a combination of declining economy, rising support for populism, OR higher bargaining power in relation to the EU.*

Excluding populism, which does not feature in the original formulation, the main difference between the two is that the Boolean expression excludes the interaction of economic context conditions and integration. Is this a translation error? At first glance, it would seem so, considering how Merkel implies that all three dimensions must be present at the same time<sup>16</sup>. But looking back to Chapter 3 and the basic principles of QCA, it is clear that the two do not actually contradict each other. There are three reasons for this. Firstly, equifinality indicates that two or more sufficient terms can exist at the same time, so what the set-theoretic translation is saying is, in effect, that all three dimensions of external embeddedness are present, but in different combinations. Furthermore, the formula does not imply that integration alone is one of the factors enhancing or affecting democracy (in other words, it is not by itself necessary and sufficient) but that another condition – in this case support for populism – must also exist.

Secondly, the set-theoretic form arguably contradicts the original model, because the latter is expressed in a symmetrical way, while asymmetry is both a principle and one of the main analytical strengths of the set-theoretic approach. But this is also not necessarily true. QCA does not exclude symmetry in principle. It states that perfectly symmetrical explanations are empirically implausible, but not impossible: under certain (admittedly very specific) conditions, there may well be empirical support for symmetry.

Thirdly, the theoretical formula  $ES + \sim P \sim B$  is the model's most parsimonious expression: it gives the 'bare bones' explanation, using the smallest possible number of conditions and interactions. This does not preclude more complex expressions equivalent to conservative or intermediate expressions, where more complex combinations can be examined. Thus, translation errors are only apparent, and the two formulations do not contradict each other. To be fair, making sense of this process requires a careful navigation of assumptions that the original model does not make explicit. But the outcome

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<sup>15</sup> Note: logical OR

<sup>16</sup> For comparison: an assumption-free set-theoretic translation of the original form of external embeddedness would be  $ES \sim B \rightarrow D$ , where  $ES \sim B$  is both necessary and sufficient.

– and the main theoretical contribution of this dissertation – is an understanding of how the dimensions of external embeddedness interact and reinforce or weaken each other

#### **4.4.1. Revisiting the cases**

Sufficiency analysis for deconsolidation reveals an interesting feature of QCA, which is useful in choosing individual cases for a follow-up analysis: the method allows a distinction between individually irrelevant and most typical cases for each solution formula. The irrelevant case category is quite straightforward here: if the focus is on deconsolidation, then none of the cases where improvement occurs should be taken into account. Among the most typical cases, cases that are uniquely covered cases by one solution term and multiple coverage can be distinguished, depending on the number of terms featured in the solution. This can be seen in all cases, except for Slovenia, Slovakia and Romania (2011-2014), which are covered by one solution term each.

These categories, as mentioned in the beginning of this chapter, are useful in case selection. There are a few recommendations in QCA literature for the types of cases that should be chosen depending on the follow-up method (Schneider and Wagemann, 2012). For a comparative study of two cases – which is the focus of the following chapter – the outcome of interest is first determined. Theory testing thus far has shown that CEE countries give more empirical support to external embeddedness when looking at deconsolidation. It would be useful, then, to follow this up with a more detailed analysis of the factors that contributed to decline but have not been accounted for in the QCA stage. It is particularly important to give more substantial interpretation to the EU's domestic impact, since its operationalization as bargaining power only tells one side of the story. The results from this chapter show that the low levels of bargaining power did not lend CEE countries a significant influence compared to older member states, and that political parties were not able to mobilize the apparent public disenchantment with integration. But QCA reveals nothing about the EU's capacity to apply sanctions in response to deconsolidation.

To address this, I propose looking at two typical cases for deconsolidation. Romania (2011-2014) is a uniquely covered case where deconsolidation is explained mainly by a combination of social and economic factors. In addition to being a late-comer and therefore able to maintain a positive democratic momentum even in the context of the economic crisis, Romania offers an interesting look into the EU's channels for domestic impact

through the Cooperation and Verification Mechanism, which has been in place since 2007. The other case I propose for analysis is Hungary (2008-2011) which is covered by both ~E~S and ~EB solution terms. Hungary is an unusual case among CEE countries in that it has been on a path of gradual deconsolidation since 2005 and is currently somewhat of a wildcard in the context of rising populism across Europe. Additionally, the EU does not have a formal instrument similar to the Cooperation and Verification Mechanism in place for preventing democratic backsliding in Hungary. Coupled with the fact that Hungary has been better able to resist EU pressure compared to Romania (Sedelmeier, 2014), this provides a good set-up for examining some of the informal, ad-hoc approaches the EU has taken in response. Case selection is discussed in more detail in the beginning of Chapter 5.

#### **4.5. Summary and next steps**

The aim of this chapter was to address an extended version of the main research question in this dissertation: what were the conditions explaining democratic transformations in Central and Eastern Europe after EU accession? The findings show that, rather than grouping together countries which follow similar trajectories, there are distinct characteristics for each of the three analytical time intervals. With few exceptions, cases of QOD improvement occurred during the 2005-2008, immediately following the EU's eastern enlargement. Two cases of improvement occur in 2011-2014 in Lithuania and Latvia. Romania was also able to maintain a positive trend following its delayed accession in 2007, but after 2008-2011 began to decline. At the opposite end, all but one cases of decline occurred between 2008 and 2014, with most happening during the 2008-2011 interval. Hungary is a notable exception showing consistent deconsolidation across all three intervals.

All ten CEE countries are represented at least over one interval, but Poland and Czech Republic are only included for 2005-2008. Meanwhile, Slovenia and Lithuania are present for the entire 2005-2014 period, while the remaining countries are present for two out of three intervals. Overall, the evolution of democracy in the region follows a straightforward path: accession had an initial positive impact in nearly all CEE countries, which were able to maintain momentum until 2008. The economic crisis led to an almost immediate downturn in the majority of cases, although the Czech Republic, Latvia and

Poland still experienced an improvement during intervals excluded from this analysis. Newcomer Romania experienced the same positive impact of accession during 2008-2011, but Bulgaria did not. The 2011-2014 interval is somewhat of a mixed bag. Lithuania was able to recover from the democratic downturn, and Latvia maintained a consistently positive trend from 2005 to 2014. On the other hand, Bulgaria, Romania and Slovenia all declined. It is also interesting that the adjusted case selection discussed in section 4.2.1 left almost as many cases of decline as improvement, considering that in the original data set is almost as even.

The conditions explaining the two outcomes were as follows: for improvement, it was found that  $S \sim B$  was a necessary and highly relevant condition, which also satisfies the criterion of sufficiency in the intermediate solution. Deconsolidation is explained by deteriorating socio-economic conditions, or a combination of the impact of the economic crisis, and weaker bargaining power in relation to the EU, to which growing support for populism is also added in the majority of cases. These findings lend empirical support to the embeddedness model and serve as an example of how QCA can be used in theory testing. Although none of the results contradict the basic theoretical assumptions of embeddedness, evidence for deconsolidation is more robust in relation to the theory's original form. In addition, it shows that initial QCA results should not be taken for granted without careful examination: as discussed extensively above, the economic crisis turned out to be an essential factor in deconsolidation, although the most parsimonious solution suggests otherwise.

Finally, these results pave the way for a more detailed study of the processes linking the conditions uncovered in this chapter to their respective outcomes. In the following chapter, I look at the cases of Hungary and Romania during 2008-2011 and 2011-2014 respectively to address this dissertation's third research question: how does process tracing uncover further background and contextual conditions that existing theory omits in explaining deconsolidation?

## **Chapter 5**

# **Explaining deconsolidation in Hungary and Romania**

This chapter follows up on the QCA analysis. Its goal is twofold: to place two simplified explanations of deconsolidation in a wider context, and to find whether there is any substantial evidence supporting the impact of civil society and EU vulnerability on the QOD. Methodologically this part of the analysis uses process tracing applied to two cases: Hungary and Romania.

The chapter is divided into three sections: in the first I expand the QCA translation of the democratic embeddedness model to include civil society and EU vulnerability and describe the specific questions, types of evidence and ways of testing the validity of causal explanations detailed through process tracing. In the second part I present an explanation of the types of defective democracy that best describe Hungary and Romania, the goal being to pinpoint further evidence of how external and internal embeddedness are linked in the two cases. Finally, moving into the process tracing section I search for substantial evidence for the two explanations of deconsolidation found in the previous chapter ( $\sim E \sim S$  and  $\sim EPB$ ) and the so far theorized combination of civil society and EU vulnerability ( $\sim CV$ )

### **5.1. Expanding the theorized explanations for deconsolidation**

A brief reminder of how Merkel's theory of democratic embeddedness was translated into set-theoretic language follows. In order to formalize the theory a few assumptions were needed: firstly, that none of the single conditions is by itself necessary to produce the outcome. Secondly, that conditions E and S must occur together and, consequently, that their conjunction ES is a sufficient condition for D. And finally, that no clear statements could be derived about B and P other than that they too are sufficient for the outcome. At the pre-analysis stage there was insufficient information to determine which conjunctions they may appear in, so the solution at that point was to take into account all possible combinations. Based on these three assumptions, Merkel's explanation for deconsolidation in QCA form was:

$$\sim E \sim S + PB \rightarrow \sim D$$

QCA revealed a new piece of information: that P and B do indeed typically occur together, because the only component of B that changes significantly is public Euroscepticism, while voting power and overall contributions to the EU's economy show only minimal fluctuations. However, these changes alone do not necessarily contribute to a greater bargaining power in the absence of populist forces to actively mobilize them. The cases where strong populist parties are present within the legislative body experience varying degrees of decline in Euroscepticism. Conversely, when looking at deconsolidation P and B also typically appear in the same conjunction as  $\sim E$ , in all but three cases (Estonia in 2008-2011, Slovakia and Slovenia in 2011-2014). Based on this, it follows that prominent populist forces and public Euroscepticism, which is quite common among member states once the post-accession 'honeymoon period' ended, play off each other in ways that can indeed affect the QOD, but separately they do not have a significant negative impact.

The good news is this new information about how P and B interact does not change the theoretical solution formula explaining  $\sim D$ . The formula does change, however, if when bringing in the two additional conditions theorized in Chapter 2, but excluded from the QCA analysis due to operationalization issues. Civil society (hereafter C) and EU vulnerability in relation to its member-states (V) can now be added to the explanation for deconsolidation as  $\sim C$  and V respectively: in theory, a less engaged civil society and vulnerable EU both leave member states poorly equipped to deal with deconsolidation. In their initial state,  $\sim C$  and V are treated the same as P and B, in that no initial assumptions can be made about the combinations they may appear in. With this information in mind, the complete QCA translation of the embeddedness model for deconsolidation becomes:

$$\begin{aligned} &\sim E \sim S(PB + \sim C + V) + PB(\sim C + V) + \sim CV \rightarrow \sim D \\ &\text{or} \\ &\sim E \sim S + PB + \sim CV \rightarrow \sim D \end{aligned}$$

In other words, a new potential explanatory path is added into the mix which, in line with QCA principles, is an alternative explanation to  $\sim E \sim S$  and PB, but the three can exist simultaneously.

What about the intermediate solution that resulted from the QCA analysis? As the previous chapter shows, explaining deconsolidation in CEE

countries is more consistent with the theory than the explanation for democratic improvement. The only difference between the theorized and actual explanations is that in the intermediate solution the term PB usually appears in combination with  $\sim E$  instead of a stand-alone - and for the purpose of this case study, this only applies to Hungary. Furthermore, the solution term  $\sim E \sim S$  has already been observed in both Romania and Hungary, so rather than using process tracing to look for evidence that it has occurred, further contextualization is required. On the other hand, it is still necessary to understand how PB impacted democracy in Hungary. While P has been observed in Romania during the 2011-2014 period, it has not emerged as a relevant condition during the QCA stage, and the related B has weakened during this interval. Finally, at this point  $\sim CV$  is at a purely theoretical stage and first needs to be observed and then contextualized. Thus, in this chapter process tracing is used to untangle three causal mechanisms originating in the conditions of external embeddedness, along these questions:

1. How did  $\sim E \sim S$  contribute to deconsolidation in Hungary and Romania?
2. How did the rise of populism impact QOD in Hungary, as well as the country's relationship with the EU?
3. To what extent did  $\sim CV$  contribute to deconsolidation in either, or both of these countries?

## 5.2. Types of evidence

Beach and Pedersen (2013, p. 99-100) explain that, in process tracing, predicted evidence rather than data observation is used, and observations only become evidence after being put in the context of case-knowledge. A methodological reminder from Chapter 3: four types of evidence are used in process tracing. Pattern evidence refers to observing statistical patterns that support the causal inference. Sequence evidence can be found in the chronology of certain relevant events. The mere presence of trace evidence confirms that the hypothesized relationship exists, completely or in part. Finally, account evidence deals with the content of relevant empirical data.

In order to examine these three causal mechanisms, the types of useful evidence should be established. To begin with, even in the absence of specific case knowledge, the  $\sim EPB$  conjunction suggests a sequence: dissatisfaction with economic performance encouraged the rise of right-wing populism, which, in turn, increased the country's bargaining power due to its potential to mobilize

public Euroscepticism. Looking for sequence evidence - proof that the events took place in this specific order - is a good place to start. Bringing in some preliminary case knowledge on Hungary during 2008-2011 provides a more nuanced picture that already partly serves as sequential evidence. The advent of the economic crisis in 2009 coincides with the growing instability and dwindling popularity of the ruling Hungarian Socialist Party (MSZP), which later lost the 2010 elections to its long-time rival, right-wing party Fidesz. However, this chain of events only partially serves as sequential evidence. It remains to be seen whether the rise of populism also had an impact on Hungary's bargaining power with the EU, as well as whether, and how, it affected procedural aspects of democracy.

Finding evidence to link  $\sim E \sim S$  to deconsolidation is somewhat trickier because, while Merkel argues that socio-economic conditions act as a stabilizing element of democracy, the dispute is still not settled on whether socio-economic prosperity is a prerequisite or a product of a consolidated democracy. Schmitter and Karl (1991) suggest that democracy does not necessarily perform better economically than non-democracies. In asking what democracy is, and is not, they argue that procedural aspects are more significant in defining this type of political system than its results. For citizens, however, results play a crucial role. A democratic government's failure to ensure prosperity or manage an economic crisis realistically affect its chances of re-election. In this case, looking for statistical trends, particularly linking poor economic performance with deepening poverty and social exclusion, can serve as pattern evidence. Additionally, public reactions, such as protests or petitions, in response to unpopular economic policies may offer sequence, trace or account evidence, depending on their nature.

The status of  $\sim CV$  as a source of causal paths is the most ambiguous at this point. The occurrence of  $\sim EPB$  and  $\sim E \sim S$  in relation to deconsolidation has already been observed, and the remaining task is to turn these observations into relevant evidence. On the other hand, there are no observations showing that  $\sim CV$  is present in either Hungary or Romania, so the first step here is to observe it. If this is possible, the same approach to evidence as before will be used. At this point, however, the uncertain status of  $\sim CV$  requires a more rigorous treatment. In order to do so, it is necessary to build empirical tests to evaluate the three assumptions.



### 5.3. Building empirical tests

Having previously used QCA puts the analysis in a somewhat tricky situation: since the explanations are not mutually exclusive, conditions have a low degree of uniqueness. This is at least the case for Hungary, which is covered by both  $\sim\text{EPB}$  and  $\sim\text{E}\sim\text{S}$  solution terms. Romania is only covered by  $\sim\text{E}\sim\text{S}$  but it is still not prudent to assume uniqueness from the start, as evidence supporting  $\sim\text{CV}$  as an alternative explanation may also be found. The situation, then, is as follows: Both  $\sim\text{E}\sim\text{S}$  and  $\sim\text{EPB}$  have high degrees of certainty and low degrees of uniqueness. The hoop test is suitable in this case: failure to find relevant evidence reduces confidence in the explanation but does not outright disconfirm it.

On the other hand,  $\sim\text{CV}$  has low degrees of both uniqueness and certainty, so it would require a straw in the wind type of test. Straw in the wind tests are generally weak and do not strengthen confidence in the causal explanation. Neither failed nor successful tests of this kind are of much consequence for the causal inference. However, Bennet and Pedersen (2013, p. 105) recommend that, when maximizing certainty/uniqueness tests, priority should be given to certainty. The particular problem with the theorized relation between  $\sim\text{CV}$  and deconsolidation is that, in this form, it deals with the absence of certain factors or processes. For instance, finding evidence that there have not been any anti-government protests in the wake of controversial decisions is easy, but it does not lend much explanatory power to the relationship. Similarly, in the case of EU vulnerability, the lack of intervention is not by default an explanation for deconsolidation. On the other hand, if there is evidence for the reverse, namely that civil society and EU interventions have indeed had an impact on anti-democratic government actions, it is more reasonable to assume that the absence of these actions would have had a negative impact. The solution I suggest is to look at this relationship from the opposite direction and in a more restrictive way, as follows:

*If relevant evidence can be found that civil society actions and formal EU sanctions occurred following controversial government decisions AND evidence that they had an observable positive impact, then there is support for  $\sim\text{CV}$  as an alternative explanation of deconsolidation.*

The conditions, type of evidence and empirical tests used in this analysis are summarized in Table 5.1.

**Table 5.1. Summary of questions, evidence and tests for case study**

EXPLANATION	QUESTION	TYPE OF EVIDENCE	EMPIRICAL TEST
~EPB	Is there evidence of deteriorating democratic norms with the mainstreaming of populism? Is there evidence of mobilizing public Euroscepticism?	Sequence (~E - P - B occurred in that order)  Account (legislation, speeches)	Hoop test
~E~S	Is there evidence of deepening poverty and social exclusion linked to poor economic performance? Is there evidence of public dissatisfaction with economic performance?	Pattern (statistical data)  Sequence/trace (protests follow adoption of economic measures/protests occur)	Hoop/doubly decisive test
~CV	Is there evidence of effective civil society and EU response to deconsolidation?	Sequence (response follows controversial government action)  Account (content of public protests, EU documents)	Straw in the wind test

## 5.4. Deconsolidation in Hungary and Romania

### 5.4.1. What kind of defective democracy?

Hungary and Romania were selected not only for the timing and the nature of the explanation, but also for the fact that they both moved from relatively consolidated towards defective democracies. As Ágh (2016a) points

out, much of the narrative regarding CEE countries has, in recent years, turned from one of QOD and consolidation, towards one of deconsolidation. Hungary and, to a lesser extent Romania, are textbook representations of this narrative. But what type of defective democracies are they?

The Democracy Barometer, which is associated with the internal embeddedness concept, allows one to observe how the values of partial regimes evolve over time, and pinpoint which ones present particular problems - in other words, to determine the type of defective democracy each country belongs to. There is no exact correspondence between the partial regimes described by Merkel and the indicators measured by the Democracy Barometer, but an approximation is quite straightforward. According to the Democracy Barometer codebook prepared by Merkel et al. (2016) some of the principles included in the index can be used to measure these partial regimes as follows:

**Table 5.2. Partial regime measurements**

<b>PARTIAL REGIME</b>	<b>CORRESPONDING MEASUREMENTS</b>
Division of power and horizontal accountability	Mutual constrains of constitutional powers, rule of law, competition
Civil rights	Individual liberties, public sphere
Elections and political rights of participation	Participation
Effective power to govern	Government capability

It is important to note that, in most cases, a partial regime is covered by more than one measurement, while in the case of the effective power to govern, the measurement is more complex than the original concept: in addition to the absence of non-elected veto powers that could potentially interfere with the government's activity, the corresponding Democracy Barometer measurement also includes an evaluation of government resources, stability and public support. That being said, the following tables show the how these components of internal embeddedness changed in Hungary and Romania over their respective reference periods.

**Table 5.3. Internal embeddedness in Hungary**

<b>COMPONENT</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>CHANGE</b>
Mutual constraints	45	49	47	46	+1
Government capability	57	56	56	60	+3
Individual liberties	88	86	81	81	-7
Rule of law	54	52	51	55	+1
Public sphere	46	46	46	46	0
Competition	61	61	47	41	-20
Participation	42	40	37	37	-5
QOD	56	55	52	52	-4

Source: Democracy Barometer (2016)

**Table 5.4. Internal embeddedness in Romania**

<b>COMPONENT</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>CHANGE</b>
Mutual constraints	39	39	40	41	+2
Government capabilities	44	37	38	40	-4
Individual liberties	51	47	52	51	0
Rule of law	30	26	29	34	+4
Public sphere	25	25	26	26	+1
Competition	79	78	61	61	-18
Participation	40	42	45	48	+8
QOD	46	44	43	44	-2

Source: Democracy Barometer (2016)

Precisely determining what type of defective democracy Hungary and Romania are is, of course, not straightforward, since the partial regimes influence one another and, as shown in the tables above, decline occurs in more than one area. But I suggest that, when deciding on the type of defective democracy, two aspects should be taken into account: which element was most affected by decline, and which was weakest throughout the period. In both countries competition was most affected, with a decline of 20 and 18 points in Hungary and Romania respectively. Other affected areas were individual liberties in Hungary (-7) and government capabilities in Romania (-4). As for the weakest categories, participation in Hungary shows both the weakest scores and the lowest value (37) among all categories at the end of the reference period, with an overall decline of 5 points. In Romania, the public sphere, consisting of

elements such as freedom of association, freedom of opinion and media diversity and neutrality, is the weakest, with scores of 25-26 throughout the period.

These findings suggest that, according to Merkel, both Hungary and Romania are at the intersection of the illiberal and delegative types of defective democracy. In Hungary, all significant decline occurred between 2009 and 2010, especially in the areas of competition (from 61 to 47) and individual liberties (from 86 to 81). This corresponded to the change of regime after the long-time ruling MSZP lost to Fidesz. In Romania major changes were not concentrated during a single period, but a notable decrease in competition, from 78 to 61, was also associated with an electoral year: 2012 saw the sweeping victory of the Social Liberal Union coalition, which won 60.1% of Senate seats and 58.6% of seats in the Chamber of Deputies (The Central Electoral Bureau, 2012a). Although these findings require much more context, they offer important hints for understanding deconsolidation, together with the explanations uncovered by the QCA analysis. In practice during process tracing I will for evidence that establish causal links between the observed dimensions of external embeddedness with those characteristics that make Hungary and Romania illiberal/delegative democracies.

#### **5.4.2. Preliminaries: transition modes and the systemic origins of deconsolidation**

In his 1991 book, *Democracy and the Market*, Adam Przeworski distinguishes between two phases of democratic transition. The first is liberalization, a process whereby reforms are introduced in an authoritarian regime via already existing splits among political elites and the actions of independent civil society actors. The second phase is democratization, which is achieved mainly through institutional change, which introduces and maintains a system of contestation. Przeworski actually defines democracy as a system in which parties lose elections (Przeworski, 1991, p. 10), noting that competition inside an institutional framework and the alternation of elites in power are essential. The following stage in the process is democratic consolidation: a democracy is considered consolidated when the institutional framework established during transition is accepted by all political actors and contestation works on the basis of parties and candidates playing by the same rules that result in victory or defeat at the polls.

According to this approach, transition modes were different in Romania and Hungary. To begin with, Hungary experienced reforms towards political competition prior to 1989. According to Racz and Kukorelli (1995) Hungary was at the forefront of reform in the communist bloc since the 1970s. From 1968 economic reforms led to a gradual liberalization, and in the 1985 elections voters were able to choose candidates to nominate and elect, which was unique among communist regimes in the region. On the other hand, Romania did not experience liberalization in the sense that Przeworski understands it. Elements of resistance from within the Romanian Communist Party, largely dominated by Nicolae Ceaușescu's personality cult, were more symbolic than effective, so by the late 1980s there were no viable driving forces for reform.

The stark difference in transition modes between the two countries is perhaps best illustrated in how their respective communist regime change came to an end: through round-table negotiations in Hungary, and a violent revolution in Romania. However, instead of a renewal of the political class, the fall of communism resulted in a kind of continuity that transferred power to elites formerly belonging to the countries' respective communist parties. This too was different in Hungary and Romania. In the former, old communist elites were more open to embracing reform, while in the latter they remained closer to their original ideological stances. These different approaches had a long-term impact, not only on how key political actors were established, but also in terms of public perception and trust. Pop-Elecheș (1998) explains that successor parties in Hungary and Romania resulted from the communist parties' breaking into factions. The Hungarian Socialist Workers' Party (MSZMP) broke into MSZP, which was more reformist and went on to become one of the country's main political forces, cultivating an image of professionalism; and the hard-liner MSZMP II, which later became the Labor Party. At first MSZP tried taking a midway stance between the reformed version of communism that started taking shape in the 1970s-1980s and the Western model of social democracy and, during the 1990s, firmly positioned itself close to the latter. However, there was still a notable continuity of elites between the MSZP and its communist predecessor: by the mid-1990s, nearly a fifth of MSZP members had been high-ranking officials in the Hungarian Socialist Workers' Party and a third had filled mid-ranking positions. Combined with MSZP's victory in the 1994 parliamentary elections, where it won 54% of seats, this led the Hungarian right to caution against the risk that communism may be reinstated. MSZP responded to the criticism by forming a ruling coalition with the liberally-oriented Free Democrats, who were especially critical of former communist rule. (Pop-Elecheș, 1998). The

choice proved to be advantageous for MSZP in the long term by further establishing its democratic credentials with the public.

In Romania the successor party situation is more complicated due to the way in which regime change occurred. Immediately after the December 1989 Revolution, which resulted in the execution of communist leader Nicolae Ceaușescu, the National Salvation Front (FSN) was created by former Communist Party members to act as interim government in preparation for the country's first democratic elections. Soon after, FSN reorganized itself into a political party and went on to win the legislative elections in 1990. By 1993, it had already split into two factions: the Romanian Party of Social Democracy (PDSR) and the Democratic Party (PD). Later, these became the Social Democratic Party (PSD) and the National Liberal Party (PNL) respectively, and remain major players on Romania's political scene today.

However, FSN's early commitment to democracy was much more questionable than that of MSZP, given its members' hesitation clearly renounce their communist ancestry. Ion Iliescu, FSN's figurehead and the first democratically elected president of post-communist Romania, referred to the country's new regime as an 'original democracy', emphasizing flexibility over stark reforms. Literat (2012) shows that Iliescu justified FSN's legitimacy in three ways. Firstly, he made it clear that the organization was a natural product of the December 1989 revolution, rather than a staged *coup d'état*. Secondly, he reframed FSN's non-democratic practices as evidence of political fluidity, by using the term 'original democracy' in the sense of 'creative' or 'innovative' rather than 'initial' (Literat, 2012, p. 29), and by FSN's decision to get involved in the country's first democratic elections as both organizer and candidate, despite claiming at first to be an interim government. In the meantime, FSN had nearly quadrupled its ranks with members from the former Romanian Communist Party and drew public criticism for participating in elections that they also organized. And thirdly, FSN painted itself as an instrument of political and economic salvation. Indeed, one of FSN's first moves after seizing power in December 1989 was to abolish many of Ceaușescu's restrictions on access to food and basic amenities, which established the Front's popularity with the public early on.

Thus, two versions of communism and transition can be observed in these cases since the 1980s, in line with Przeworski's model of democratic transition. In Hungary there was a negotiated revolution (Pop-Elecheș, 1998), with an organized and ideologically distinct opposition already developed in the 1980s and the MSZMP accepting a multi-party system. Romania failed to experience pre-transition liberalization, and the setting for transition was still

dominated by a largely unreformed political organization, which evolved into one of Romania's current major parties. These factors had a long-term impact on the countries' politics that extends into the reference periods for this chapter.

#### **5.4.3. Hungary: Europe's worst-case scenario in the making**

##### ***Tracing the political consequences of crisis mismanagement***

Hungary's economic woes predate the global financial crisis and are largely the cause of why the country was so severely hit, becoming the first in the region to resort to IMF support in order to manage its effects. The timeline of economic instability and its related political crisis can be traced back to two periods of systemic changes. First the transitional crisis of the early 1990s resulted in high levels of unemployment and social exclusion, which the weak state failed to manage efficiently, leading to people perceiving the effects of democratization in the form of socio-economic decline (Ágh, 2016b, p. 280). The second transformation period, one of deepening political instability, came in the 2000s, when Hungary saw an increase in foreign-owned government debt. In 2006 the ruling Hungarian Socialist Party (MSZP) experienced a massive loss of public trust after Prime Minister Ferenc Gyurcsány admitted to lying about the government's ability to stabilize the economy and control the impending crisis. As a result, the party lost massively in the 2006 local elections. Prime Minister Gyurcsány resigned in 2009, and the following year MSZP lost dramatically in the parliamentary elections, when Fidesz came into power, with Viktor Orbán at leading the new government. A series of socio-economic and institutional reforms followed, which set Hungary on the road to becoming what Orbán referred to in 2014 as an 'illiberal state' (Orbán, 26 July 2014)

Market reforms in Hungary started in the late 1960s and continued in various forms until the start of the transition period. The initial recession caused by market economy transition lasted between 1989 and 1993 and resulted in massive bankruptcy, a 30% drop in employment and an increase in non-performing loans in the banking sector (Győrffy 2015, p. 135). The 2000s saw a period of prolonged campaigning, when politically-driven spending increased government debt by nearly 20% between 2001 and 2008 (The European Commission, 2014b, p. 185). Coupled with higher taxes aimed at reducing the size of the informal economy and low levels of employment, this weakened Hungary's business environment and translated into low contributions to the



state budget and a deepening of social insecurity and exclusion. Hungary's low economic credibility was the main reason for its massive, high-interest foreign indebtedness, which left the country vulnerable to external market changes (Magas 2012, Dietrich et al., 2011). As a result, although technically on the periphery of the financial crisis, Hungary was the first EU country to turn to international lenders for support in 2009. The loan was conditioned by the government taking measures to ensure fiscal consolidation and resulted in unpopular austerity measures.

To explain how Hungary turned from one of Europe's success stories of neoliberal transformation into an economically vulnerable nation, Fabry (2011) separates the country's struggle with the global financial crisis in three phases. Initially, the beginning of the subprime mortgage crisis in the USA was not considered a threat, largely because Central and Eastern Europe had previously enjoyed significant credit-led economic growth, with over \$300 billion in foreign direct investments entering the region since the 1990s - more than \$60 billion of which went into Hungary. This generally positive outlook left the impression that the EU's newest member states would remain on the periphery of the crisis. However, the deepening of the crisis set off a second stage where the combination of the small size of CEE economies and their high dependency on foreign capital and exports stoked investors' fears that the crisis would spill over into these markets. The economic openness of CEE indeed eventually proved to be a recipe for disaster for precisely these reasons. Fabry explains that Hungary is a typical example of how openness transferred the effects of the crisis into the country: the proportion of foreign trade in Hungary's GDP was 161.4% in 2008, 70% of which was with advanced economies. Coupled with its high consolidated government debt (65.9%) this forced the country to turn to international lenders for support, for a bailout package of \$25.1 billion. The IMF provided two thirds of the loan, with the EU and the World Bank covering the rest. By the time Hungary resorted to financial support, the crisis had hit the economy head-on. Although comparatively less affected than the Baltic countries, Hungary still saw a significant drop in GDP and exports, and a rise in unemployment in 2009.

The IMF agreement required the Hungarian government to tackle fiscal consolidation and avoid transmitting the effects of the crisis further out in the region. Financial support was conditioned by strict policy measures (International Monetary Fund, 2008, p. 6): in exchange for the package Hungary had to implement reforms which translated into nominal wage freeze, a reduction of welfare programs, raising statutory retirement age and cutting salaries in the public sector. At this point in the crisis, the economic effects had

already begun to translate into a political crisis: Ferenc Gyurcsány's was replaced by Gordon Bajnai, former Minister of National Development and Economy, after his resignation in 2009. Despite lack of popular support, Bajnai continued to implement austerity measures.

**Table 5.5. Economic indicators in CEE countries (2009)**

	<b>GDP growth at market prices</b>	<b>Export of goods</b>	<b>Industrial production gross value added at basic prices</b>	<b>Unemployment</b>
BG	-4.9	-11.8	-8.0	6.8
CZ	-4.1	-14.6	-12.1	6.7
EE	-13.9	-23.0	-21.5	13.8
H	-6.7	-18.7	-17.7	10.0
U				
LV	-18.0	-10.7	-16.5	17.1
LT	-14.7	-11.9	-13.2	13.7
PL	1.7	-8.5	-3.7	8.2
RO	-7.2	-3.3	-0.3	6.9
SK	-4.8	-15.1	-18.2	12.0
SI	-8.1	-18.1	-15.5	5.9

Source: Fabry (2011) p. 207

The economic burden imposed by the IMF agreement was, however, not the only cause of political crisis. MSZP's dwindling credibility among voters and government instability that followed were exacerbated in 2006, when Gyurcsány addressed what became known as the Őszöd speech to the MSZP members of the parliament. The address was supposed to be confidential, but was recorded and broadcast, leading to mass anti-government protests. In the speech, Gyurcsány admitted that for nearly two years the MSZP had lied to voters about the government's capacity to manage the economy efficiently, recognizing that the party was *'beyond the country's possibilities to such an extent that [they] could not conceive that a joint government with the Socialists and the liberals would ever do'* and that *'[they] did not actually do anything for four years.'* (Gyurcsány, 26 May 2006). The event provoked massive protests throughout the autumn of 2006 and marked the beginning of MSZP's decline. It led to massive losses for the party in the 2006 local elections and culminated with its defeat to

right-wing Fidesz in the 2009 parliamentary elections. 2009-2010 marked the turn towards what Attila Ágh (2016b) refers to as the worst-case scenario of deconsolidation in the region. By January 2010 the European Commission judged that the austerity measures adopted in Hungary had been successful: the budgetary deficit was maintained at 3.9% of GDP and the budget adopted in 2010 was in line with agreed economic targets (Almunia, 2010, January 27).

### ***The 2011 constitutional reform: setting the scene for deconsolidation***

In a discussion of how debates have been framed in Central and Eastern Europe since the 1990s, Attila Ágh (2013) suggests that the region has been dealing with a triple crisis of democracy over a short period of time: a transition crisis in the early 1990s, a post-accession crisis in the late 2000s, made worse by the onset of the global financial collapse, and recently, an apparent crisis of QOD, which translates into deconsolidation. As the previous discussion regarding the political effects of the financial crisis established, Hungary fits neatly into this approach and is an especially relevant case for understanding deconsolidation, not only in a socio-economic, but also institutional context. The previous discussion offers pattern and sequence evidence consistent with the assumption that economic collapse was followed by a power transfer to a right-wing populist regime that quickly established itself as the driving force of an overhaul of Hungarian politics.

Before 2010, Hungary was a 'chaotic democracy' (Ágh, 2016b, p. 279) where weak formal institutions and strong informal ties between politics and the business world resulted in a weak state that proved to be poorly equipped to deal with the systemic changes of the 1990s and 2000s. At the same time, Hungary also experienced a crisis of participation, which created an 'emptied democracy' (Ágh 2016b, p. 280) that further weakened formal institutions. The 2010 parliamentary elections saw a disintegration of a party system that had been stable for 25 years: a sound defeat of the Hungarian left, an uncontested victory for Fidesz and validation for the extreme right-wing Jobbik, which entered the Parliament for the first time with 16.3% of votes. This is the political scene which Fidesz took over that year.

But should Fidesz's massive success be understood as a public mandate for political reform, or was it more likely the result of a large-scale anti-MSZP vote? Although Fidesz framed its victory at the polls as a 'revolution', the party seemed to understand that much of its success rested on the popularity nosedive that MSZP suffered starting in 2006. This was reflected in the negative campaign

strategy the party adopted before the 2010 elections: a simple strategy where, rather than presenting a comprehensive government program, it focused on the incompetent and corrupt character of MSZP's rule (Batory, 2010; Muller, 2011). Fidesz's campaign was otherwise largely non-specific on policy issues. In March 2010 the party published a manifesto, 'The Politics of National Affairs', which offered several attractive but vague objectives regarding wages and job security, while specific policy issues were presented as authored by individual Fidesz members which, suggests Bathory (2010, p. 4), makes it unclear whether these policies are more in line with their author's opinions, or should be taken as electoral commitments from the party. This strategy, together with MSZP being forced on the defensive and the absence of other significant political rivals, worked in their favor. It gave Fidesz, in collaboration with Christian Democratic People's Party, a two-thirds super-majority that, as will become clear in this section, proved to be the Achilles' heel of Hungary's already deteriorating democracy.

The diffuse character of Fidesz's electoral campaign, along with parliamentary majority, left the party with enough elbow room to introduce wide political, legal and socio-economic reforms, starting with a new constitution. The document was quickly drafted and implemented between 2010 and 2011, and came into force on January 1st, 2012. Prior to 2011 there had been no major changes in Hungary's Constitution since the fall of communism. The country's fundamental law, in force since 1989, guaranteed a system of checks and balances, safeguarded competition through a multi-party system, and granted a political roles to minority parties. Therefore, examining the legal changes imposed by the new constitution and their institutional effects would serve as account evidence for the claim that the seizure of power by Fidesz started the process of democratic erosion in Hungary.

On the surface, the new constitution adheres firmly to democratic values, which are proclaimed in the document's preamble: equality, protection of human dignity, freedom of speech, opinion and assembly, right of access to information and protection of minorities (Government of the Republic of Hungary, 2011a) Article C1 also formally maintains the principle of division of powers and protection against exclusive exercise of power. Furthermore, the act condemns the former communist regime as tyrannical and proclaims the 1949 constitution, which provided the basis for Hungary's post-communist fundamental law, invalid. Since its adoption in 2011, the act was amended several times based on Hungary's Constitutional Court's decisions and recommendations from the Venice Commission. By itself, then, the new

constitution did not raise too many red flags at first. However, Ágh (2016b) argues that in practice it set up the premises for a one-party state capture by eroding the system of checks and balances and using the two-thirds super-majority as a way to control key state institutions.

I propose that three pieces of account evidence can be found in the constitutional reform process. Firstly, the method by which the new constitution was drafted, debated and eventually adopted was undemocratic due to lack of transparency and public consultation. Secondly, its adoption was preceded by legal changes that ensured the new act could not be easily contested and that there was no accessible mechanism in practice to prevent the constitution from entering into force. And finally, parts of the law's text clearly indicate the areas where Hungary's hitherto consolidated democracy could be destabilized.

The first piece of evidence is the most straightforward and relates to how the constitution was drafted and implemented. Only three months after the elections, an ad-hoc Parliamentary Constitution Drafting Committee was established, and started working on the new document in July 2010. The final version was signed by the President of Hungary in April 2011, with a few amendments required by the Constitutional Court. The Constitution, in its final form, would come into force at the beginning of 2012. In a document issued in June 2011 the Venice Commission warned that, while part of the recommendations it had offered in discussions with Hungarian officials over the new constitution draft were indeed adopted, the constitution-making process lacked transparency, and the tight schedule did not allow for proper consultations, either with the other parties in the Parliament, or with the Hungarian society (The Venice Commission Opinion 621/2011). In the latter case, a questionnaire was mailed out to citizens to consult on the content of the new text (Balogh, 2011, March 2) but the response rate was only 11% and the government did not make the results public (Krugman, 2012, January 21). The lack of effective consultations and speed with which it was adopted meant that in practice Fidesz engaged in constitutional engineering with the express aim of entrenching itself in power (Uitz, 2015, p. 280).

The second piece of evidence comes from the period preceding constitutional reform, when a series of institutional changes were implemented in order to limit power checks on the executive and dramatically reduce the ability of rival political actors to attack the new constitution by legal means. These occurred in five steps (Bankuti et al., 2012). Firstly, Fidesz made it easier to change the constitution without consulting opposition parties by removing the requirement for a four-fifths vote to decide on the rules for drafting a new

constitution. Previously, this had functioned as a safety-net rule that served minority parties. With the four-fifths requirement now out of the way, Fidesz could use its constitution-making two-thirds majority.

The next step was to put several measures in place that would weaken Hungary's Constitutional Court. The Court was the most important check on Fidesz's power, along with, to a lesser degree, the ordinary judiciary and Prosecutor's Office. It guaranteed that the Parliament operated within its constitutional limits and created an adequate institutional framework for implementing legislation. One of the Court's essential democratic instruments was the *actio popularis* (Bankuti et al., 2013; Lembecke and Boulanger, 2013) which allowed any citizen to petition the Constitutional Court for a review after a law had come into effect. In practice, this increased the Court's opportunities to enact legal review and meant that it could act as a check on power in virtually any field. Fidesz passed constitutional amendment against the Court in three areas. First, in June 2010, shortly after winning the elections, it changed the election procedure for Court judges. Candidate no longer needed to be nominated by a majority of parties in the Parliament, but rather two-thirds of the total votes, which meant that the party could nominate convenient candidates. The second change, in October 2010, limited the jurisdiction of the Constitutional Court in the area of fiscal legislation: now judicial reforms were limited to taxation and budgetary matters, and the Court could no longer review human rights infringements pertaining to property, equality under the law and judicial procedure - all of which are more easily infringed through fiscal means. In effect, Fidesz no longer had to worry about constitutional checks on fiscal decisions. Thirdly, Fidesz voted to raise the number of judges from 11 to 15, taking advantage of the fact that it could nominate loyal candidates and ensure a favorable majority in the Court and thus ensure that constitutional reform would not be impeded.

With a recently weakened Constitutional Court, Fidesz's next move was to establish control over the Electoral Commission. It began by establishing, that after the 2010 elections, members of the Commission would be newly elected by a parliamentary majority after each general election. As with the Constitutional Court, this established Fidesz's firm grip on the Commission's composition, with seven out of ten votes controlled by the party. This step was particularly important because one of the Electoral Commission's attributes was to examine all referenda before opening them to the public. With its new composition, the Commission could now block initiatives against Fidesz, in support of which the opposition might attempt to mobilize the popular vote. The

final change the ruling party made before the constitutional reform, was to pass media restrictive legislation: all media outlets were required to register with the state and produce a 'balanced' output with 'relevance to the citizens of Hungary' (Dunai, 2014, February 19). Fidesz also created a supervisory body, the Media Council, whose composition is also decided in the Parliament and therefore is dominated by Fidesz.

With these five legislative changes in place, Fidesz confidently moved on to drafting the new constitution, and the document's content serves as the final piece of account evidence for the party's role in driving deconsolidation. To begin with, one of the most important institutional aspects of the old constitution was maintained: a unicameral Parliament whose attributions include electing the President of the republic for a five-year term and appointing cabinet members based on the Prime Minister's nominations. One change that was proposed regarding the Parliament was reducing the number of members from 386 in 2011, to 200 in later legislatures - a change that was finally implemented after the 2014 elections, where Fidesz won 133 votes on a joint list with the Christian Democratic People's Party (The Hungarian National Assembly, n.d.) The new constitution also explicitly condemns the old 1949 constitution as 'tyrannical' and, as a result, delegitimizes its validity, which was, in practice, an amendment of the 1949 law.

The most substantial changes continued to concern the judiciary, and the Constitutional Court in particular (Bankuti et al., 2013). In addition to the limits imposed through the laws, discussed previously, the new constitution got rid of the *actio popularis* review, replacing it with a requirement stating that reviews can only be initiated by one fourth of Parliament member, the government or the Commissioner for Fundamental Rights. But, given that after 2010 there is no unified coalition in the Parliament that could issue such a review, this change acts as another self-serving control mechanism for Fidesz. The new constitution also extended the Court's limitation on fiscal reviews, ensuring that it only had the competence to review new fiscal laws once the government's public debt fell under 50% of GDP - a thing unlikely to happen in the future.

In addition, the new constitution also undermined the independence of the ordinary judiciary by altering the process of appointing judges and reducing the retirement age, effectively forcing around 300 judges, including from high level positions in the Supreme Court and Appeal Court, into early retirement. The newly open positions would be filled with Fidesz-backed nominations, including the head of the National Judicial Office, elected by a two-thirds majority in the Parliament for a term of nine years. In addition to the judiciary, the government

also increased its input into monetary policy decisions, and the composition National Bank leadership, by giving the Prime Minister the power to appoint vice-presidents. Going further, it established that the Commissioner for Fundamental Human Rights (the Ombudsman) would be elected by the same two-thirds parliamentary majority that has been frequently used up to this point. In practice, these changes meant that virtually every important state institution was now under Fidesz's political control, in line with the claim that Hungary illustrates a case of state capture (Ágh, 2016b) in a former established democracy.

In this light, it is somewhat frustrating that the impact of the new Hungarian constitution are outside the scope of this dissertation, but the timing also leaves the reader in an interesting position where they can look back on these changes through the lens of events that have occurred in the meantime. Concerns about the new constitution's restrictive and undemocratic nature turned out to be justified, as Hungary experienced a democratic rollback through the first, and later second, Orbán regime, which now places it among Europe's semi-consolidated democracies, behind Romania and Bulgaria (Schenkkan, 2017). The country's increasingly authoritarian slant has turned it from one of Europe's 'good students' of democracy, into a political force that has learned to use populism and Euroscepticism as a bargaining chip. However, despite bargaining power occurring as part of the explanation for deconsolidation in Hungary, its scope is very limited between 2008 and 2011. As an explanatory condition, bargaining power (B) experienced a small upwards trend due to a slight increase in public Euroscepticism, and the beginning of post-crisis economic recovery. But looking at the institutional relationship between the Hungarian government and the EU, as the next section shows, no significant increase in bargaining power can be observed.

### ***The Hungary-EU relationship in light of constitutional changes***

The beginning of 2011 placed the relationship between Hungary and the EU under interesting auspices: in the year's first semester Hungary was expected to over the presidency of the Council of the European Union. The rotation had already been established before Fidesz's sweeping electoral victory, leaving EU officials to deal with an unpredictable new government that had already begun implementing legislation with worrying effects on the system of checks and balances. The initial outlook was, however, cautiously optimistic. In a press



statement following a meeting in January with the Hungarian presidency, the head of the European Commission Jose Manuel Barroso stated:

*'I am myself fully confident in Hungary's democracy and rule of law. This country is a democratic country, Hungary has known in a not so distant past what totalitarian regimes are. Prime Minister Orbán himself was fighting against totalitarian regimes. This is a democratic country and I think it is important that we have no doubts about it. And I think it's important also that the Prime Minister [...] take all the necessary steps for this to be clear in Hungary and outside Hungary'* (Barroso, 2011, p. 4-5)

Despite the initial positive note, the EU did not brush off Hungary's constitutional reform as superficial. The main concern it raised was the extent to which there was a risk that the new fundamental law would deviate from the EU's values and legislation (Bragyova, 2013). Furthermore, the EU did not, at that point, have any means to force changes on parts of the constitution that read as explicit threats to democratic norms. However, it could, through its institutions, issue formal opinions and recommendations to counteract deconsolidation. One such document was the comprehensive Opinion of the Venice Commission on the New Constitution of Hungary, issued in June 2011, shortly after the drafting process was completed. The Commission's Opinion unpacked issues from the constitution's text, with special focus on institutional changes and respect for human rights. The main goal of the Commission's evaluation was to establish whether the new constitution is in line with the principles of rule of law and democratic standards of EU member states, and compatible with the European Convention of Human Rights. It also noted that the adoption of the constitution was not an isolated event, but part of a comprehensive reordering of Hungarian politics, and the lack of transparency that had plagued the process from the beginning was enough to raise questions about its democratic character. Among the problems the Venice Commission highlighted, five are particularly sensitive for QOD.

#### **i. Ambiguity and lack of transparency**

Aside from the failure to consult the public on the content of a fundamental law, the drafting process has also left detailed regulations concerning politics and society to 'cardinal laws', which call for two-third majority votes, including on issues that should normally be left to ordinary

political processes. If left in this form, a series of socio-economic, financial, cultural and religious policies would, in practice, be dictated by a Fidesz-controlled majority, further expanding the party's control over everyday politics.

## **ii. The legal effects of rejecting the old constitution**

One of the notable points included in the constitution's preamble is the rejection of the 1949 constitution. At first glance, this fits neatly into Fidesz's discourse on revolutionizing politics and breaking away from the past, but paradoxically, the unambiguous statement that proclaims the old constitution as 'tyrannical' creates a situation of legal ambiguity. The Venice Commission Opinion points out that, if the statement is meant to have legal consequences, it can be read as leading to *ex tunc* (from the onset) nullity, which, in legal terms, would mean that all acts coming into force under the former constitution would lose their legal basis, becoming themselves null. The consequences would include the loss of legitimacy of basic democratic institutions, such as the Parliament, and the erasure of the case law of the Hungarian Constitutional Court, and its contribution to helping Hungary grow into an established democracy. The dilemma arising from this formulation goes even further: if the Parliament has lost legitimacy the moment the old constitution was rejected, then it cannot draft and enact a new constitution - which the Fidesz-majority Parliament has done. The only interpretation of that rejection, the Venice Commission suggests, is as a political statement with no legal ramification: a way of clearly separating Hungary's established democracy from its authoritarian past. This reading also finds support in the closing provisions of the new constitution, which mention the existing 1989 constitution as its legal basis. However, including such a vague and easily misinterpreted statement in the new act's opening remains a problem.

## **iii. The status of ethnic minorities**

The new constitution draws two potentially problematic distinctions regarding ethnic minorities living in Hungary, and Hungarian minorities living elsewhere. The latter in particular has the potential to interfere in inter-state relations because of the claim that Hungary bears responsibility towards Hungarians living outside the country's borders. Another issue is that there is no clear constitutional guarantee for the protection of minority languages, although in general terms discrimination based on different aspects of one's identity is expressly prohibited.

#### **iv. Discrimination on the basis of sexual orientation**

Staying within the lines of human rights issues, the new constitution defines a family as the union between a man and a woman, 'as the basis of the nation's survival'. Two things are important here. First, Article XV(2) states that 'Hungary shall ensure fundamental rights to every person without any discrimination on the grounds of race, colour, gender, disability, language, religion, political or other views, national or social origin, financial, birth or other circumstances whatsoever' but it does not explicitly list sexual orientation, leaving 'other circumstances whatsoever' open to interpretation. And secondly, the article does not technically deviate from the European Convention of Human Rights, given that there is no European consensus on same-sex marriage. Both of this leave sexual orientation in an ambiguous position when it comes to cases of discrimination, although it should be noted that same-sex civil partnerships are under limited legal protection in Hungary since 2009.

#### **v. Further constraints on press freedom**

In addition to tightening control over both public and private press in preparation for the new constitution, Fidesz also fails to present a constitutional press freedom guarantee. In Article IX, the freedom of the press is not stated as an individual right, but as an obligation of the state, which makes it dependent on the state's willingness to enact its obligation. It also delegates the establishment of clear rules for press freedom and its supervision to a cardinal law but does not outline the purpose and context of how this law is to be enacted.

At this point in time the EU had not, and indeed could not, do much, other than pointing out where Hungary deviates from shared norms and values, and giving adequate recommendations. The only tools with legal and financial consequences that applied to Hungary were the transposition and infringement mechanisms, which typically apply to market, environmental and employment issues, and cannot be expanded to cover such broad institutional and human rights violations. It would be several years before harder options, such as suspending Hungary's voting rights, would be discussed as viable responses to the country's increasing violations of democratic norms (De Baume, 2017). But another factor should be taken into account, aside from the lack of effective response mechanisms: with the Fidesz government in office for less than a year, the EU did not, at that point, have much reason to worry about authoritarian tendencies, and Hungary did not have any significant bargaining power. It had won the elections riding off voters' resentment for MSZP, rather than feeding

public Euroscepticism and, this early on, the new Hungarian government seemed no less willing to play by the rules of the European scene than its predecessor. The take-away point of this analysis, then, is neither that the EU was particularly vulnerable in relation to Hungary, nor that it could have prevented deconsolidation by acting early but did not manage to do so. Instead, what this analysis highlights is how the kind of legal engineering Fidesz used to capture the Hungarian state can quickly set the scene for democratic backsliding and, in the absence of equally well defined legal control, can turn a previously established democratic country towards authoritarianism. In other words, this illustrates how an increasingly fragile internal embeddedness (a defective, illiberal democracy) made worse by weak external embeddedness - in this case with special reference to international integration.

#### **5.4.4. Romania and the trials of a fragile democracy**

##### ***Inherited conflicts and an ongoing political crisis***

Romania's deconsolidation in 2011-2014 is in many ways a culmination of earlier symptoms: austerity measures imposed during the financial crisis, the economy's failure to recover to pre-crisis levels, a lack of structural reforms, and declining trust in governments that have repeatedly given priority to political in-fighting over efficient ruling. As in Hungary's case, the mismanagement of the financial crisis led to a transfer of power when it became clear that the incumbent government was unable to efficiently manage its consequences, and resorted to unpopular austerity measures in exchange for external support. So far the cases seem quite similar, but there are a few important differences. Firstly, although there are several strong parties on Romania's political scene, most notably the Social Democratic Party (PSD) and the National Liberal Party (PNL), the two legislatures that coincided with 2011-2014 experienced both coalition governments and a good deal of party reshuffling within them. While the coalitions themselves proved to be unexpectedly resilient despite their growing unpopularity and the country's economic hardships, the inner party conflicts, frequent rearranging of cabinets and lack of efficiency created an image of instability, with political and financial consequences on Romania's relationship with the EU.

The second difference is that, despite the change in government, the effects of the economic crisis were more far-reaching over time than in Hungary,

partly for the same reasons that can be observed there, but mostly because of the governing coalitions' low capacity to pass legislation and implement reforms efficiently.

Finally, the third difference is the direction in which the transfer of power occurred. In Hungary, left-wing MSZP lost to conservative right-wing Fidesz, which, as shown in the previous section, led to state capture by a party with increasingly open authoritarian tendencies. In Romania, the transfer took place between two mixed, and seemingly ideologically incompatible, coalitions. After the 2008 elections one such coalition, consisting of the Democratic Liberal Party (PDL), Social Democratic Party (PSD) and Conservative Party (PC) took office. President Traian Băsescu argued at the time that this was necessary to ensure a nearly 70% parliamentary majority in order to control the effects of the crisis (Romania Nations in Transit Report, 2010). PDL-backed politician Emil Boc was designated as prime minister.

At first, the Romanian government had not planned on turning to international aid to manage the crisis, but eventually, and despite concerns from the opposition as well as coalition partner PSD, it entered talks with the IMF, the European Commission and the World Bank for a 20 billion Euro loan. Similarly to Hungary, financial support was conditioned by a series of austerity measures, which the government needed to adopt in order to ensure fiscal consolidation. This resulted in wage cuts in the public sector, layoffs and employment freezes, pension cuts and reduction of public spending. Unsurprisingly, although Romania managed to stay within IMF targets, these policies made the Boc government highly unpopular, both with voters and within the ruling coalition.

2009 brought the first signs of instability in the coalition, and a change in the parliamentary power balance when PSD left to up with PNL in the opposition. Despite the party's earlier concerns about the effects of the austerity package, the break did not occur due to ideological differences, but rather as a consequence of growing political tensions between PSD and PDL. Earlier that year, PSD interior minister Dan Nica claimed that PDL was preparing to commit fraud in the upcoming presidential elections but failed to present credible evidence and was removed from his position. The conflict was further stocked when PSD voted in favor of a legal investigation of two PDL members for high-level corruption. After finally breaking away from the ruling coalition PSD joined up with PNL and, as a result, changed the balance of power in the Parliament. Despite the loss, however, the remaining coalition proved to be unexpectedly stable throughout 2009-2010 and managed to press forward with its austerity measures. 2010 saw mounting tensions over cuts in public spending and

unpopular structural reforms, worsened by the government and opposition to set aside political differences and focus on the country's much needed economic rehabilitation (Romania Nations in Transit Report, 2010).

All of this painted a highly polarized picture of Romania's political scene at the beginning of 2011, with an unpopular center-right coalition in government, a PDL-backed Traian Băsescu on his second presidential term, and an unlikely but powerful PSD-PNL coalition in the opposition. The following period would see a transfer of power towards the opposition and a personal conflict between Traian Băsescu and PSD leader Victor Ponta, which would further destabilize Romanian politics.

### ***Dysfunctional power checks and low government capability***

The ruling coalition managed to remain in power through 2011, but its capacity to carry out reforms was stalled by the prospect of losing the 2012 parliamentary elections. The most important target of reforms that year were state-owned enterprises (Ștefan and Ioniță 2012). The strong informal ties between politics and the business world that had developed in Romania since the 1990s often put these enterprises at the center of corruption scandals. Many benefited from preferential contracts with the state, while others had accumulated large debts or were effectively bankrupt but continued to function with political support. Therefore in 2011 the IMF agreement focused on reforming corporate governance within these companies, which the government did by issuing an emergency ordinance (Romanian Government, 2011 - EO 109) rather than allowing the ordinary legislative process to take its course. The ordinance established, among other things, that no one who had been prosecuted for fraud, abuse of public funds, bribery or engagement in other forms of corruption, could be an administrator in such an enterprise (Art. 6). A related reform objective was to get rid of performance bonuses in several public institutions in line with government spending cuts. Much like state-owned enterprises, this system of bonuses was used by politicians and businesses to work around legal budgetary processes. Bonuses were rarely given based on merit, because performance targets were only vaguely defined. In effect, Ștefan and Ioniță (2012) explain, this system had established itself as a 'feudalistic model' of political clientelism, where the leadership of state-owned companies could distribute funds in a discretionary manner. Therefore, the goal of the reforms imposed by the IMF and the EU to eliminate such practices was, in a broader

sense, meant to address the problem of clientelism in this area, and establish guarantees that it could not be reintroduced.

Aside from informal business-politics relationship as a source of corruption, Romanian politics also struggled with a dysfunctional system of checks and balances: the narrow majority held by the governing coalition, along with the Parliament's tendency to get caught up in political spats and neglect its legislative responsibilities interfered with the coalition's effective power to govern. As a result, the executive branch often had to circumvent the legislative process by passing emergency ordinances. In several cases important issues, such as a new Labor Code or rules for promoting judges to the High Court of Cassation and Justice were left to such acts. Emergency ordinances, which, as the name implies, are normally used to pass legislation in cases of emergency where the parliamentary process would take too long, have immediate legal effect. They can be debated and suspended later, but on short term they skew the legislative-executive balance in favor of the latter and, by extension, weaken the basis of the entire democratic process. The problem of emergency ordinances is a persistent one throughout the 2011-2014 period, with a total of 429 such documents being issued over four years (Romanian Chamber of Deputies, 2011, 2012, 2013, 2014). Despite promises from the government to stop abusing this legislative option, little progress was made in the following legislature to restore democratic balance on this front.

A change of leadership occurred in 2012, and the months leading up to the parliamentary elections were marked by increasing political and social tensions. In January 2012 there were massive street protests in Bucharest and other major cities (Ioniță, 2012) demanding the resignation of the president and prime minister, both members of center-right PDL, in response to a legislative proposal to partly privatize the healthcare system. Protesters also expressed discontent over the sweeping austerity measures that had negatively impacted their socio-economic condition since the crisis: in particular wage cuts in the public sector, pension freezes and tax hikes. The protests resulted in Prime Minister Emil Boc's resignation in February and the nomination of Mihai Razvan Ungureanu, another member of PDL. Ungureanu, however, was only able to keep the ruling coalition together until April, when the cabinet fell to a no-confidence vote in the Parliament.

PSD leader Victor Ponta was appointed prime minister in May 2012 heading the new Social Liberal Coalition (USL) comprising of opposition allies PSD and PNL, together with the Conservative Party (PC). As with their predecessors, ideological differences did not seem to affect the coalition's stability, and USL

managed to capitalize on voters' anti-PDL sentiments by winning an important first victory in the year's local elections. (The Central Electoral Bureau, 2012b) However, the Ponta government quickly found itself plagued with accusations of corruption, this time less concerned with bribery and the misuse of public funds, but the personal track record of Victor Ponta himself. An article published in the international science journal *Nature* presented credible evidence that the prime minister had plagiarized his 2003 doctoral dissertation (Schiermeier, 2012). In response, Ponta denied the accusations (The New York Times, 20 June 2012), but the scandal, along with Ponta's personal rivalry with Bănescu, would influence a series of institutional reforms that USL began passing in the summer of 2012 (Wagner et al. 2013). Firstly, USL led a vote in the Parliament to impeach president Bănescu, on the grounds that he had supposedly overstepped his constitutional powers by interfering with the work of the prime minister. Bănescu had survived a similar attempt during his first term in 2007, the PSD-friendly majority in the Parliament voted against him, and a referendum was called to decide whether he would be forced to step down before the end of his term. However, low turnout brought the legality of the referendum results into question and, although Bănescu was suspended for nearly two months, he eventually returned into office in August 2012.

Meanwhile, the Ponta government had proceeded with several institutional changes to weaken PDL and entrench itself into power. Firstly, it removed three key PDL officials from their positions: the leaders of both chambers of the Parliament, and the Ombudsman, all three replaced with loyal PSD members. Ponta also issued two emergency ordinances reducing the Constitutional Court's ability to check on parliamentary decisions and changing the rules of the impeachment referendum process in an additional attempt to secure Bănescu's removal. In response to the plagiarism accusations against Ponta, the government also replaced the members of the National Council for Attestation of Titles, Diplomas and University Certifications, which was investigating the case, with people loyal to the prime minister. Both measures drew sharp criticism: the former, from Romania's Constitutional Court and the EU, for abusing emergency ordinances, and the latter from academics worried about the credibility of a Council that would undoubtedly rule in Ponta's favor.

Despite already provoking political scandals and trying to limit the power of the judiciary, USL won a decisive victory in the elections in December, which gave the coalition a majority in both chambers of the Parliament and let Ponta keep his position as prime minister under a reinstated president Bănescu. But PSD had not overlooked the elections in their legislative attempts to secure their



grip on power. Six months before the elections USL had introduced a proposal for a first-past-the-post electoral system to replace the proportional system in place at the time. If approved, it would have helped USL win more seats in the Parliament. However, the Constitutional Court ruled against it. USL won 58.6% seats in the Chamber of Deputies and 60.1% in the Senate, but on a rather low voter turnout of 41.7%. The Right Romania Alliance, which included PDL, won less than 20% and the newly formed People's Party-Dan Diaconescu (PP-DD) led by a media personality, entered the Parliament as well, on a populist platform (The Central Electoral Bureau, 2012b)

Shortly after the elections, president Băsescu and Prime Minister Victor Ponta signed a power-sharing agreement to avoid future conflicts and put an end to Romania's prolonged political crisis. The cohabitation pact, as it was known, gave priority to the president on issues of defense, foreign policy and representation in the European Council, while the prime minister handled social and economic policy, and intergovernmental relations (Dimulescu et al. 2014).

However, despite an optimistic start, tensions within USL started mounting in 2013. PC, the small, conservative coalition member, whose position in the Parliament depended on stable alliances, had broken with PSD in the previous governing coalition, but now aligned itself with PNL to ensure that it would remain in power. Another source of conflict emerged when a constitutional reform was proposed to limit the powers of the Presidency. The goal was to remove the president's power to nominate the prime minister, and to only be able to refuse the nomination of a cabinet minister once. The impression that Ponta continued to push legislation based on his personal conflict with President Băsescu made the constitutional reform a particularly thorny issue within USL. Since Băsescu was not allowed to run for a third term, the coalition had made an internal deal which would give the Presidency to PNL after the elections in 2014, while PSD would keep the Prime Minister's office. Thus, the reform proposal fed PNL's suspicion that PSD planned to strengthen its executive powers at the expense of PNL in the upcoming presidential mandate. The coalition finally broke up in early 2014, after PNL tried to replace a PSD cabinet member accused of corruption with Klaus Iohannis, a popular local politician who Ponta saw as a threat. In response, PSD blocked his nomination. However, after the coalition's breakup Iohannis took over PNL leadership and negotiated the formation of a coalition together with PDL, to back Iohannis as Ponta's main presidential rival.

USL's breakup brought about a major party reshuffling on Romania's political scene (Dimulescu et al. 2015). The Christian Liberal Alliance (ACL),

supporting Iohannis' candidacy, was now the main center-right force in Romania, and a handful of new parties were formed, backed by Traian Băsescu and other liberal politicians who chose to remain outside ACL. An even more significant consequence of USL's internal discord, along with ongoing accusations of corruption plaguing the coalition, was Ponta's dramatic loss of the 2014 elections. After winning the first round against Iohannis, the Prime Minister, who had not resigned his office once he became a candidate, faced accusations of using his position to rig the elections. Diaspora voting, where Iohannis won nearly three times as many votes as Ponta (The Central Electoral Bureau, 2014a), was a particularly salient issue that led to protests both abroad and in Romania. The Ponta government was accused of letting administrative hurdles, such as complicated voting procedures and a shortage of personnel at the polls, interfere with diaspora voting (Sibinescu, 2016). In the wake of protests, the government attempted to remedy some of the issues, such that the turnout almost doubled abroad between rounds. The final results went in favor of Klaus Iohannis, with 54.4% of votes (The Central Electoral Bureau, 2014b).

Despite the election of another center-right-backed president, PSD maintained its parliamentary majority and Victor Ponta remained in office despite a tense relationship with president Iohannis. He was forced to resign one year later, when his government once again found itself in the midst of a corruption scandal: in October 2015, more than 60 people died in a nightclub fire that revealed a trail of low-level corruption cases that pointed to a PSD-backed district mayor in Bucharest. The event caused the largest street protests in Romania since 1989 (Clej, 2015) and resulted in Victor Ponta's resignation and the formation of a technocrat government, which led Romania until the 2016 parliamentary elections, when it was replaced by PSD leadership once again.

### ***The EU's role in preserving democracy in Romania***

Unlike Hungary, where the problem was the rapid decline of a consolidated democracy, Romania's democracy has experienced nearly three decades of poor consolidation, which the political squabbles and low government capacity of 2011-2014 worsened further. Gallagher (2005) points out several long-term factors that have undermined Romania's chance to become a functional democracy. Firstly, political elites inherited from their previous authoritarian counterparts the notion that voters are a subservient, easily manipulated mass, rather than active citizens. Combined with the country's history of centralized rule this resulted in a strong dependence on the state that continued after the

fall of communism. Secondly, five decades of communist rule left an authoritarian mark on political culture: the idea that politics is a hierarchical system, which citizens have little effective control over, and which produces corruption and social inequality. On the other hand, in light of this dependence, the fact that Romania had developed into a state that was at once too big and too weak created frustration with its inability to respond to its citizens' needs (Gallagher 2005, p. 331). Relatedly, the long-standing problem of in-fighting among political elites led to a climate of low credibility and inability, regardless of the government's political colors, to implement reforms efficiently. In Romania, more so than in Hungary, the promise of EU accession provided an external stimulus for positive change. And, much like Hungary, once the mechanism of conditionality controlling the accession process was removed, there were few effective incentives left to ensure that the countries would not experience democratic backsliding.

Romania's late accession, along with Bulgaria's, stood as evidence that the country had failed to maintain the pace of structural reforms required throughout the accession process. As a result, after gaining membership in 2007, the two countries became the subject of a newly created instrument, the Cooperation and Verification Mechanism (CVM). The mechanism, consisting of yearly reports by the European Commission, is still currently in place and its aim is to monitor the countries' progress in the areas of corruption, judiciary independence and reform, and organized crime (The European Commission, 2012b). It differs from conditionality in that, while effective in some areas, it is 'more carrot than stick': the CVM is tied to support for reforms, including access to financial aid from the European Structural and Investment Funds, but few effective sanctions for failure to comply with its requirements. Despite its inconsistent effectiveness, the CVM is nevertheless an example of the few formal, well-regulated instruments that the EU has at its disposal to keep democratic backsliding in check.

In practice, the European Commission compiles a yearly report based on consultations with Romanian authorities, civil society actors, relevant international organizations and independent experts. After accession four benchmarks were established for Romania (The European Commission, 2011b). The country was required to: (a) ensure a more transparent and efficient judicial process by improving the capacity of the Supreme Council of the Magistracy; (b) establish an integrity agency responsible for checking assets and potential conflicts of interest among politicians; (c) build on previous progress and continue to conduct non-partisan investigations into cases of high-level

corruption; and (d) fight corruption at the local level. Between 2011 and 2014 the Commission's CVM reports highlighted some of the areas where Romania made progress following the Commission's recommendations, but also made clear that there are several areas in which the country continued to lag behind. Perhaps the most worrying of these is that positive trends tend to be inconsistent from one year to the next due to frequent changes in government (EC 2012a, EC 2012b).

Two areas of reform are considered particularly successful under the CVM. The first is the slow improvement of judicial independence, reflected in the passing of more transparent legislation and the ability to effectively investigate corruption among political elites. The second is the positive track record of the National Anti-Corruption Directorate (DNA) in opening cases, particularly of high-level corruption. During 2011-2014 Romania also introduced new civil, criminal and procedural codes, created the National Integrity Agency, improved transparency of the Constitutional Court and drafted a comprehensive anti-corruption strategy. However, several long-standing problems persisted. One of these is that, despite a notable increase of high-level corruption cases under scrutiny, the process remains slow and often results in insufficient sanctions. There has also been political and administrative resistance towards these investigations and inconsistent transparency in the process of amending the Criminal Code (The European Commission, 2014). Another issue the Commission highlighted is related to Romania's dysfunctional system of checks and balances: despite earlier engagements to reduce the number of emergency ordinances, Romanian governments continued to resort to these through the entire period - a concern also expressed by the Venice Commission and the Council of Europe (The European Commission, 2013).

The CVM, and by extension the EU, had a noticeable positive effect on strengthening the judiciary branch in Romania and thus fixing some of the imbalances plaguing the country's system of power checks. But its efficiency has been limited, partly because of the inconsistent application of proposed measures by Romanian authorities, and partly because the mechanism cannot respond with strong sanctions to the failure to comply. In practice, it can make recommendations and give assistance, but the only formal sanction it is able to apply is continued monitoring. Nevertheless, the case of Romania reflects a stronger degree of external embeddedness in the area of international integration compared to Hungary, where the EU's capacity to intervene and prevent democratic backsliding is even smaller. In Romania, decline was a consequence of building democracy on fragile foundations, and of prolonged

political conflicts, sometimes of a personal nature, which led to the state neglecting much-needed reforms.

Corruption and power imbalances favoring the executive and legislative branches over the legislative also persisted beyond 2011-2014 and took a worrying turn in the beginning of 2017 when the newly appointed PSD government attempted to pass an emergency ordinance (OUG 13/2017) that would have effectively decriminalized official misconduct, reduced prison sentences and left it unclear whether a criminal investigation would prevent its subject from holding a public office (The Romanian Government, 2017). The ordinance was soon retracted, however, after another massive wave of anti-government protests, which had become a frequent occurrence on Romania's political scene since 2012. In fact, Romania is an interesting case study for the effectiveness of civil society in preventing instances of democratic backsliding. Combined with the CVM, it offers sequence and account evidence that the ~CV explanatory path - or rather, its reverse - has indeed had an impact on democracy. This explanation is further examined in the following section.

#### **5.4.5. Evidence for the impact of civil society and EU vulnerability**

Is there evidence that civil society and the EU have acted successfully in tandem to prevent democratic backsliding in Romania and Hungary? The previous two sections already give some hints in this direction, but before looking into them further, a short reminder of Wolfgang Merkel's conceptualization of civil society follows.

Merkel suggests that civil society, as an element of external embeddedness, fulfills four functions (Merkel 2004, p. 45-47): (a) protects the individual from arbitrary state power; (b) supports the rule of law and balance of powers; (c) educates citizens and recruits political elites; and (d) provides a democratic space for marginalized groups to promote their interests. If all these functions are fulfilled, then civil society can provide effective checks on power and have an impact on how political agendas are designed and implemented. However, this concept, much like the others in the embeddedness model, is an ideal case scenario. Therefore I suggest that, in practice, failure to find convincing evidence for all four functions does not automatically mean that there is no evidence for the impact of civil society as a whole. After all, the reason this part of the analysis considers the reverse of the theorized relationship (C~V -> D) is

that looking for the absence of evidence is rather nonsensical. More to the point, if there is substantial evidence that at least one of the four functions of civil society has contributed positively to democracy in Romania or Hungary, this dissertation will treat it as evidence in favor of the explanatory path.

The other component of this explanation, EU vulnerability, was previously defined as the EU's inability to intervene effectively in situations of democratic backsliding - whether because it lacks the legal or administrative instruments to do so, or because high bargaining power puts the country in a position where it can ignore the EU's impositions. The reverse means that there is evidence of successful EU responses to domestic anti-democratic tendencies. The two conditions will be examined in the following sections.

### ***The role of civil society in Hungary***

While there are no major legal obstacles in the way of registering a civil society organization (CSO), the civil arena in Hungary was dealing with several ongoing problems by the beginning of 2008 (Nations in Transit Hungary report, 2009). Firstly, underfunding and high taxation made it difficult for CSOs, especially smaller ones, to function effectively. Another problem, which became especially serious after Fidesz came into power, was increased reliance on state funding over private funding, which had dropped since the 2000s. A third issue was a radicalization and politicization trend within the civil society. 2008 saw the rise of the Hungarian Guard (Magyar Garda), an extreme right, nationalist movement, as more active and visible. The Guard initially provoked negative reactions, both from within the civil society, which staged ad-hoc protests to oppose it, and the state, which banned the group at the end of 2008.

Underfunding, reliance on state financing and personnel shortages caused by high payroll taxes remained persistent throughout the reference period (Nations in Transit Hungary report, 2010). On the other hand, a public donation scheme allowed citizens to transfer 1% of their income tax to a CSO of their choosing, and several business figures provided significant private donations through foundations and funding projects, especially in support of youth education in economically weak regions. However, these positive changes were insufficient to break the dependency on state funding. This became a particularly difficult issue in 2010, when the newly instated Fidesz government froze several important funding sources for CSOs, such as the National Cultural Fund, the National Civil Fund and the Research and Technology Innovation Fund (Nations in Transit Hungary report, 2011). In addition to cutting funds, Fidesz also

withheld previously approved grant payments and began discussing a radical reform of the funding system after claiming that the National Civil Fund awarded grants on questionable merits. Indeed, in 2011 the main sources of public funding for the sector was cut drastically, by nearly 60% (Kovács, 2012). The Composition of the National Civic Fund was also changed: previously 90% of its leadership were civil society representatives, but under the new reforms this number was cut down to 30%, with the remaining positions being chosen by the government. As in other areas of Hungarian politics, Fidesz used this strategy to establish its political influence among CSOs.

Despite the grim outlook, Hungary's civil society experienced a few positive trends. While the difficult economic situation of 2008-2009 led to rising radicalization, it also encouraged the emergence of a few civil initiatives whose purpose was to put forward reforms for healthcare, pensions and tax systems - in short, some of the areas that were hit the hardest by austerity measures. The business sector - most notably the Reform Alliance - also became involved in drafting proposals (Nations in Transit Hungary report 2009). Another positive aspect was that, despite suffering financially, the Hungarian civil society managed to remain relatively strong through the power transition. In 2010 there were about 50,000 active registered organizations, ranging from small associations to watchdog organizations monitoring political processes (Nations in Transit Hungary report, 2011). Also notable is the fact that in 2011 a local movement called One Million for the Freedom of the Press in Hungary managed to gain extensive support through the use of social media and, together with other NGOs, organize the largest anti-governmental protests since the fall of communism in Hungary, condemning Fidesz's authoritarian tendencies (Kovács, 2012, p. 247).

It is interesting that, until the 2011 protests there were no significant anti-governmental movements in Hungary compared to the ones provoked by the political crisis in 2006-2008. Fidesz's sweeping victory led to a significant increase in public trust in the government, from 14% in 2009 to 40% in 2010. Although trust declined to 26% by the end of 2011, it did not sink to previous levels under the Orbán government (Eurobarometer Interactive, accessed 11 December 2017). This is perhaps why, before Fidesz's authoritarian streak became difficult to ignore, eliciting protests in 2011, Hungary's civil society scene had been relatively quiet and had not built itself into a coherent force that could provide effective checks on an increasingly bold executive.

## ***The role of civil society in Romania***

There were significant changes in the state and political impact of Romania's civil society beginning in 2011-2012. Previously, that arena had enjoyed little influence, both in its ability to mobilize citizens, and to participate in policy-making. Like Hungary's civil society, Romania's also suffers from underfunding, with only a small share of its finances being supported through donation schemes. Unlike its Hungarian counterpart, however, Romania's civil society proved surprisingly capable, in recent years, to stall or prevent controversial reforms and bolster anti-corruption efforts.

CSOs in Romania enjoy a higher degree of public trust compared to state institutions, whose image has been heavily affected by the pervasive corruption scandals and political in-fighting of the post-communist decades. Trust does not, however, translate into consistent financial support. In 2011 Romania had public funding scheme in place that was similar to Hungary's, whereby citizens could donate 2% of their income taxes to NGOs or religious organizations of their choice, but fewer than 10% of Romanians actually chose to do so (Ștefan and Ioniță, 2012). But despite resource shortages, civil society became an increasingly visible player in Romanian politics.

Perhaps surprisingly, given the public discontent with Romania's precarious socio-economic situation after the financial crisis, it was environmental organizations that proved particularly effective in mobilizing citizen support and volunteer action. One of the most notable and enduring examples is the Roșia Montană environmental movement, launched in response to a controversial law authorizing a mining project for the largest opencast gold mine in Europe, run by the Canadian Roșia Montană Gold Corporation (Dimulescu et al., 2014). Prior to 2013, the bill had been stalled for over a decade, failing to secure the needed environmental licenses. After their victory at the polls in 2012, the USL government re-opened the case for authorization. In response, the Roșia Montană environmental movement organized a series of marches, demonstrations and sit-ins over a period of five months. At the time these were the largest street protests in the country since 1990 and, significantly, the first instance of Romanian civil society using social media in a coordinated way to spread information and organize events. A similar series of protests, albeit on a smaller scale, were directed against Chevron's fracking project near the village of Pungești. Here, too, social media played a key role in spreading mobilizing and securing public support (Cmeciu and Coman, 2016). Meanwhile, the Roșia Montană movement continued to be active in 2014. Several protesters



were fined for breaking the 60/1991 law, which required the organizers of public gatherings to notify authorities in advance and obtain authorization for their collective action (Dimulescu et al., 2015). Despite the hostile attitudes of politicians, who labelled protests as illegal and potentially violent, the Roșia Montană movement was a success: initially the Ponta government appeared to concede to public demands but, in a last-ditch effort to have the bill passed, established a special committee in the Parliament to examine the project further. The Parliament eventually rejected the bill (Salvați Roșia Montană, 19 November 2013)

Aside from environmental issues, protests were also held earlier in 2011-2012, demanding socio-economic reforms to support those affected by the long-term consequences of the financial crisis. Their effect was political, rather than substantial: Emil Boc, who was Prime Minister at the time, resigned, and the ruling PDL party experienced massive losses in terms of political image, which USL was able to capitalize on and win the 2012 elections (Wagner et al., 2013). But protesters' demands for substantial reforms were not met, as USL proved, in turn, to be an inefficient government. In late 2014 the presidential elections, where Victor Ponta ran against liberal Klaus Iohannis, provoked a new wave of protests when accusations emerged that the diaspora vote had been deliberately encumbered by the government through additional administrative requirements that slowed down the voting process and allowed only a fraction of Romanian citizens to vote abroad. Since the elections were in practice managed by the Ponta government, this was seen as a fraudulent attempt to sway the vote in the Prime Minister's favor. As a result, spontaneous protests broke out, both abroad and in Romania, demanding fewer administrative hurdles and better management at polling stations outside the country in the second round. Although the situation did not improve significantly, the protests, which largely mobilized online, had an effect on how the two candidates changed their campaign strategies between rounds. While Ponta continued to promote his original electoral program and refused to address fraud claims, Iohannis adopted a new strategy that picked up on voters' new concerns and communicated with protesters online (Sibinescu, 2016).

Despite enjoying an unprecedented rise in activity, the failure of the civil arena to influence public policy remained a problem. This was in part because protests had thus far failed to produce a sustainable political movement: they usually mobilized small, diverse groups over relatively short periods of time, so cohesion was low and the groups tended to disperse once protests ended. It was only later, in 2015, that a grassroots movement, the Save Romania Union, was

able to coalesce into a political party and garner enough support to enter the Parliament. The point remains, however, that Romania's civil society established itself as a political force by its success in a few key areas: the reversal of damaging environmental policies, contributions to anti-corruption efforts, and influencing the structure of Romania's political scene. The 2011-2014 period was also essential for the continuing development of civil society. Although protests remained its main, and most effective, means of action, as seen in the anti-corruption movements that have been developing since 2014, they encouraged a change in the previously apathetic political culture.

### ***The EU: not yet vulnerable, but at risk***

When looking at the role of the CVM in Romania, one aspect of EU legislation that stands out is the decline in effectiveness post-accession compared to the pre-accession period. One explanation is the assumption that the new member states would continue to play by the rules, as their early behavior of successful compliance seemed to suggest (Sedelmeier, 2008). Infringement, the most widely-used mechanism for ensuring that member states implement and follow community legislation correctly, does not show any positive correlations between the number of years since accession and the number of infringement cases in the new member states. Furthermore, as late as 2014, there was no evidence that these countries were performing worse than older member states, either in terms of new infringement cases open against them, or the rate of their closing. Germany, Spain, France and Italy are present alongside Bulgaria, Romania and Hungary among the countries with the most infringement cases open at the end of the year (The European Commission, 2015). Another issue with using infringement as a potential control mechanism is that it does not pertain to areas relevant to deconsolidation. The majority of infringement cases are concerned with internal market, environment, mobility and taxation issues, rather than justice, human rights or social welfare. For example, in 2014 infringement in the EU on issues pertaining to justice made up only 6% of cases, and those on employment just 5% (The European Commission, 2015, p. 15).

However, aside from infringement, the EU did not have any other formal instruments to check for member states' compliance during the reference period - much less any which were dedicated to safeguarding democracy. The CVM is an important exception, especially considering its effectiveness, but it has only been used to monitor Romania and Bulgaria, and not extended to other CEE countries. Thus, there is more substantial evidence that a stronger EU had a

positive role in preventing backsliding in Romania by helping re-balance power checks and helping create a more efficient and transparent judiciary. The fight against corruption remained particularly strong, including after the 2011-2014 reference period: in 2015, Romania's Anti-Corruption Directorate indicted prime-minister Victor Ponta, five ministers and 21 MPs (Macdowall, 2016). The EU's strong influence on promoting democratic norms in Romania managed to keep some aspects of the country's chaotic politics in check, albeit not enough to prevent some measure of backsliding.

Vulnerability turned out to be much more apparent in relationship to Hungary, but not yet within the 2008-2011 period. For instance, the first election of Fidesz was not seen as problematic enough to prevent Hungary from taking over the Council presidency as scheduled, and the initial outlook from EU leaders was positive, if somewhat cautious. However, the EU did not, at the time, resort to sanctions outside typical infringement procedures or issuing recommendations. After the new Constitution came into force and Fidesz further entrenched itself into power, it became apparent that the EU was legally and administratively unprepared to deal with a deconsolidation scenario in practice. All this points to an EU still strong in relation to its member states, but becoming gradually more vulnerable later. Combined, for instance, with Hungary's growing bargaining power and Fidesz's ability to emphasize nationalist politics over common European norms, this indicates an increasingly complicated problem for the future.

This section began by looking at evidence of the combined positive impact of civil action and the EU's domestic impact on democratic backsliding. To re-examine this evidence through the lens of the original embeddedness model requires turning the question around: without these positive effects, would democratic backsliding have occurred to an even greater extent? The answer is more clear-cut in Romania's case. Both the CVM and anti-governmental protests had a direct impact on legislation being passed, amended or scrapped by the legislative. It also encouraged the anti-corruption fight, leading to the prosecution of high-ranking politicians in the Parliament and several cabinets so far. The fact that civil society actions were frequently organized in response to controversial political developments and, in some cases, were successful in stalling or preventing them altogether, suggests that indeed, without the input of civil society actors, democracy may have deteriorated further. Similarly, the CVM is a monitoring mechanism that examines developments in Romania's checks and balances retrospectively and issues legal recommendations. Some, as the CVM reports note, have been

successfully implemented, leading to institutional and legislative changes in line with EU norms, while others were either partially applied or left out. Once again, the fact that individual changes, such as the positive track record of the National Anti-Corruption Directorate, can be traced back to EU interventions, serve as evidence that, in its absence, QOD may have declined more.

The explanatory power of ~CV in Hungary is less clear because there is not enough evidence to easily turn the question around. For one thing, no legal instruments are available to link EU actions, preventive or retroactive, to positive changes in Hungarian politics. For another, the relatively weak position of the civil society and the lack of clear institutional or legislative changes following civil actions point to a lack of evidence for the C~V -> D explanatory path, but this does not automatically mean that ~CV -> ~D has occurred. A reasonable interpretation here is that weak civil actions and a more vulnerable EU could have worsened Hungary's situation, but there is no conclusive evidence to support this claim. The result of this analysis, then, is that ~CV can be observed in Romania but not in Hungary.

## **5.5. Summary of findings**

The goal of this chapter was to use process tracing to answer three questions: (1) How did ~E~S contribute to deconsolidation in Hungary and Romania? (2) How did the rise of right-wing populism impact QOD in Hungary, as well as the country's relationship with the EU? (3) Has ~CV contributed to deconsolidation in either, or both countries, and if so, in which conditions? A summary of the evidence and conclusions for each of these follows.

### **5.5.1. The impact of socio-economic decline**

As a causal explanation, ~E~S is in an interesting position when viewed through the lens of prediction tests used in process tracing. It is both certain and unique in the case of Romania, where no alternative explanation emerged, while in Hungary it is certain but not unique, due to the simultaneous presence of ~EPB. This means that ~E~S can be subjected to two types of tests - doubly-decisive in the former, and hoop in the latter (see Table 5.2). However, based on the evidence from the previous sections, ~E~S fails the doubly-decisive test: while socio-economic decline did indeed occur, it was not the main reason for deconsolidation. Political instability, a system of checks and balances suffering

from long-term dysfunctions and the government's low capacity to implement reforms emerged as more relevant explanations for deconsolidation. The only substantial piece of evidence linking  $\sim E \sim S$  to democracy were the 2011-2012 anti-governmental protests demanding socio-economic reforms in the wake of the financial crisis. However, as evidence it is inconclusive because protesters did not succeed in securing their demands.

Hungary's case is interesting because here, the evidence for  $\sim E \sim S$  partially overlaps with that for  $\sim EPB$ . 2008-2011 corresponds to the period when Hungary was the most affected by the financial crisis. Its effects, along with those of the austerity measures the MSZP government was required to implement, worsened the country's socio-economic conditions, leading to higher unemployment and social exclusion. These changes took place at the same time as a decline in QOD could be noted. However, rather than relying only on pattern (statistical) evidence, which puts this analysis in the way of the correlation/causation fallacy, I suggest that it is more worthwhile to focus on the sequence and account evidence that supports the  $\sim EPB$  explanation. In theory,  $\sim E \sim S$  passes the prediction test, but its reliance on statistical data for evidence also means that it should be treated cautiously. Overall  $\sim E \sim S$  finds itself in a rather complicated situation. On the one hand, failing the doubly-decisive test does not automatically invalidate it, but it is certainly weakened by the presence of evidence pointing to more valuable explanations. On the other hand, it passes the straw-in-the-wind test, which is too weak to either confirm or outright reject the explanation. Thus, the only viable conclusion is that  $\sim E \sim S$  is a partial and weak explanation for deconsolidation in both Hungary and Romania.

### **5.5.2. Economic decline and the rise of populism**

This alternative explanation is specific to Hungary and relies on sequence and account evidence.  $\sim EPB$  is a certain, non-unique condition which, similarly to  $\sim E \sim S$ , requires a straw-in-the-wind test and therefore would appear just another type of weak explanation. This is not, however, the case. Instead, it shows that the use of non-uniqueness, which is an artefact of QCA, can produce artificial results if not considered carefully. In fact, I suggest that  $\sim EPB$  is the strongest explanation for decline out of the three examined in this chapter. There is strong sequence evidence linking the two: the economic hardships that Hungary inherited from the mid-2000s were aggravated by the financial crisis that hit the country in 2008-2009. This led to MSZP's political collapse and power transfer to Fidesz. The constitutional reform that followed offers particularly strong

account evidence of how populist entrenchment erodes democracy. On the other hand, bargaining power requires a looser interpretation due to the time frame when the analysis is conducted. By 2011, concerns about Hungary's democracy had started to emerge, but attitudes, particularly from the EU, were still rather hopeful. In later years, as Fidesz further secured its hold on government, it became clear that this period had set the scene for a gradual increase in bargaining power. Thus, considering the partial overlap of  $\sim E \sim S$  and  $\sim EPB$ , as well as the strong factual support for  $\sim EPB$ , I suggest that the latter could instead be treated as unique, requiring (and passing) a doubly-decisive test that lends the economic crisis - populist entrenchment - bargaining power sequence strong explanatory power.

### **5.5.3. Civil society action and EU vulnerability**

Since  $\sim CV$  was only theorized in the beginning of this chapter, and had no previous empirical support from QCA, one of the goals of this chapter was to look for evidence of its occurrence. Sequence and account evidence was found in Romania, but no conclusive proof of either kind could be identified in Hungary. This reduces the explanatory power of  $\sim CV$  somewhat, since it is only relevant to one case, and even then, it is not unique. According to the types of evidence discussed in Chapter 3,  $\sim CV$  passes the high certainty - low uniqueness prediction test in the case of Romania, but not in that of Hungary. Both situations, however, correspond to weak certainty tests and have neither strong confirmatory nor disconfirmatory power. In general terms, the explanation is not rejected, but neither can it be considered a strong explanation without further evidence.

Two additional methodological conclusions can be drawn from this chapter. Firstly, the initial QCA analysis showed that conditions  $\sim S$  or  $B$  were necessary for deconsolidation but, while both are present here, individually they provide weak explanations. Secondly, the fact that QCA rarely produces unique causal relations potentially weakens the explanatory power of certain conditions. However, as seen in the case of Hungary, this phenomenon should be treated cautiously. QCA postulates that alternative explanations can co-exist but says nothing about whether some explanations are more valuable than others. Both factors - relevance and weak necessary conditions - illustrate the need to complement QCA with other methodological approaches in order to better understand cases.

## Chapter 6

# Conclusions

### 6.1. Findings

In this dissertation, I sought to answer three questions concerning democratic deconsolidation in Central and Eastern Europe: what were the conditions under which it occurred after EU accession, and how do these conditions interact with each other? What were the intervening processes explaining the occurrence of deconsolidation? And what was the nature of the EU's domestic impact in this context? By combining the democratic embeddedness model as a way of operationalizing deconsolidation with a set-theoretic multimethod approach, it was possible to examine these questions, first at a cross-country level, and then individually in Hungary and Romania.

The findings corresponding to the first research question show that embeddedness is better at explaining deconsolidation, than it is at addressing democratic improvement. According to the embeddedness model, either a combination of favorable economic (E) and social (S) conditions, or a combination of low support for populism (P) and decline in bargaining power in relation to the EU (B) are sufficient to explain democratic improvement (D). The reverse, according to Wolfgang Merkel's original assumptions about embeddedness, is also true. Based on this, the model was translated in Chapter 4 into two theoretical formulas (TF) based on Boolean rules, as follows:

$$\text{TF1: } ES + \sim P \sim B \rightarrow D$$

$$\text{TF2: } \sim E \sim S + PB \rightarrow \sim D$$

The solution formulas (SF) that describe the sufficient conditions from the empirical analysis are:

$$\text{SF1: } S \sim B \rightarrow D$$

$$\text{SF2: } \sim E \sim S + \sim EB \rightarrow \sim D$$

There is a notable difference between TF1 and SF1, which describe the theorized and observed conditions for democratic improvement respectively. The hypothesis put forward by the translated embeddedness model states that either a favorable socio-economic context (ES), or a combination of weak populism and bargaining power in relation to the EU ( $\sim P \sim B$ ) explain democratic

improvement. However, empirical results reveal that only a combination of favorable social conditions and declining bargaining power ( $S \sim B$ ) were instead sufficient to produce such an outcome. On the other hand, where deconsolidation is concerned, TF2 and SF2 indicate that the theory and empirical evidence are much better aligned – more so, considering that in the majority of CEE countries that experienced deconsolidation, strong support for populism was also present. With the exception of three cases (Estonia, Slovakia and Slovenia), the formula is actually  $\sim E \sim S + \sim EPB$ , making the solution a super-set of the theoretical formula.

With regards to the cases themselves, a few consistencies emerged. Breaking down the 2005-2014 decade into shorter intervals shows that democratic deconsolidation is not as prevalent as expected. Out of the eighteen cases that were included in the final analysis, seven experienced some degree of improvement in QOD, mainly concentrated in the 2005-2008 time period (Czech Republic, Estonia, Lithuania, Poland and Slovenia), while Lithuania and Latvia also experienced a slight improvement in 2011-2014. The remaining cases showed evidence of deconsolidation, most typically in Bulgaria, Hungary, Romania and Slovakia, where democratic quality declined across the board between 2005 and 2014. The majority of these cases are concentrated in 2008-2011, a period where the theory and solution formulas, as described above, are aligned.

The second and third research questions addressed in this dissertation are connected. The EU's domestic impact was examined along with several country-specific factors, using process tracing in Hungary (2008-2011) and Romania (2011-2014). The first step was to expand the set-theoretic translation of the embeddedness model to include civil society (C) and EU vulnerability (V) - the two conditions that were left out of the initial stage of the analysis due to the difficulty of operationalizing them in a meaningful way. Thus, the complete theoretical formula for embeddedness in set-theoretic form is:

$$\begin{aligned} ES + \sim P \sim B + C \sim V &\rightarrow D \\ \sim E \sim S + PB + \sim CV &\rightarrow \sim D \end{aligned}$$

Three particular questions were important for process tracing, based on the previous results from the quantitative comparative analysis: how did  $\sim E \sim S$  contribute to deconsolidation in Hungary and Romania? How did the rise of populism affect QOD in Hungary, and the country's relationship with the EU? And how have civil society and EU vulnerability contributed to deconsolidation?



Findings show that  $\sim E \sim S$ , which was originally observed in both Hungary and Romania, had a limited impact on deconsolidation, while evidence for other factors is more substantial. In Romania, political instability, a dysfunctional system of checks and balances, and low government capacity were the main contributors to deconsolidation. In Hungary, the consequences of the economic crisis helped consolidate Fidesz's hold on power. In Chapter 5, I argued that  $\sim EPB$  is the strongest explanation for deconsolidation examined in this dissertation, when taken sequentially: in Hungary's case, the financial crisis occurred in the context of long-standing economic troubles dating back to the social-democratic MSZP rule of the mid-2000s. Popular dissatisfaction with the social-democratic government propelled Fidesz into power and enabled the 2011 constitutional reforms, which resulted in further entrenchment and provided a springboard for Euroscepticism, later increasing Hungary's bargaining power in relation to the EU.

The EU's capacity to apply formalized sanctions when a member state fails to comply with European legislation is the most important factor for successful domestic intervention. By continuing to monitor judiciary reforms in Romania through the Cooperation and Verification Mechanism, the EU, in combination with an active civil society involved in anti-government protests, managed to keep a check on corruption. The lack of formal sanctions placed the EU in a more vulnerable position in relation to Hungary, although this was not yet the case in 2008-2011, when concerns about Fidesz's anti-democratic tendencies had not yet materialized. The two cases highlight the necessity of formalizing post-accession sanctions in ways that would bring them close to the efficiency of pre-accession conditionality, which is particularly difficult in the absence of an incentive as strong as the earlier perspective of membership. Since 2014, the issue of deconsolidation has become more pressing in the region and the EU has, thus far, continued to resort to ad-hoc solutions with limited effectiveness.

## **6.2. Limitations**

The two main limitations of this study stem from the choice of methodology. The set-theoretic approach has several strengths, which I discussed in Chapter 3. Among these, the most important is that it enables cross-case analysis, which is useful when looking at a whole geographic region. However, as Chapter 4 showed, some cases were excluded based on their

mismatch with the theoretical expectations of external embeddedness. In a single-method research design, this imposes a serious limitation on both empirical insights and theory testing. However, the analysis in this dissertation is conducted in two stages, where process tracing is applied within-case, to act as a more demanding form of theoretical testing. The results are mixed. The  $\sim E \sim S$  explanatory path finds itself in an ambiguous situation where it cannot be either fully confirmed or fully rejected, but offers a weak alternative to the significantly stronger  $\sim EPB$ .

The second limitation deals with the mismatch between the verbal form of the embeddedness model, and its set-theoretic translation. As I explained in Chapter 4, the way Wolfgang Merkel formulates the concept of embeddedness implies a symmetrical relation between conditions and outcome. When conditions affecting embeddedness are present and strong, embeddedness is also strong; conversely, when they are weak or absent, embeddedness is also weak. In other words, TF1 and TF2, as described above, should both be true. However, the set-theoretic approach operates on an assumption of asymmetry. Thus, when translating embeddedness using the rules of Boolean algebra, the negation of TF1 would not be  $\sim E \sim S + PB \rightarrow \sim D$  but  $(\sim E + \sim S)(P + B) \rightarrow \sim D$ . But since one of the goals of this study was meaningful theory testing, symmetry was also assumed in the formula's translation. Typically, the set-theoretic approach suggests there should be no evidence for TF1 and TF2 simultaneously. But this is not a limitation in substantial analytical terms. Rather, it shows that, while symmetry is attractive in theory, empirically it is rather unlikely. The implication, as discussed in Chapter 4, is that the embeddedness model can be refined to account for this issue.

### **6.3. Avenues for further research**

I began working on this dissertation during a period when concerns about the stability of CEE democracies were beginning to emerge, and completed it at a time when they have, unfortunately, materialized. Nevertheless, among increasing authoritarian tendencies and rule of law violations in the region, I argue that there are a few reasons for optimism, which provide valuable topics for future research. Two of these - democratic credibility and the EU's future in safeguarding democracy - are briefly discussed below.

### **6.3.1. New stakes: democratic credibility**

In the post-accession period, much of the integration literature focused on compliance as the main tool for ensuring legal alignment between the EU and its newest member states. But in the absence of both strong incentives and strong sanctions to comply, CEE countries did not behave much differently from older member states in the long run, such that the early post-accession rates of compliance fell. This approach also proved ineffective in keeping deconsolidation in check in the absence of dedicated instruments. Thus, examining the relationship between the EU and CEE countries through the lens of compliance does not reveal much about the inner workings of promoting democratic stability. It is worthwhile, instead, to focus on democratic credibility as a central concept, in a way that also brings in candidate countries. Under rational models of rule adoption, the link between these actors is largely unidirectional and top-down: the EU produces legislation at the institutional level, which member states and candidates must implement or be subjected to sanctions, through infringement mechanisms and conditionality respectively. With the logic of credibility I propose a more complex relationship that does away with the top-down direction of rule adoption, and accounts for the impact of member states and candidates on the EU.

This approach is based on the mutual interactions between the three actors, and highlights three dimensions of both democratic credibility and its crises. Firstly, the EU is a weakening democracy hub. While it has made its mission to become a democracy promoter outside its borders explicit, the loss of democratic quality among its member states no longer consists of isolated cases, despite many of them having been consolidated democracies for decades. This not only strikes at one of the EU's core values, but affects its credibility and weakens its position as a democracy promoter in a geopolitical context where economically successful non-democratic alternatives are becoming attractive to countries in transition. Additionally, deconsolidation among member states and the difficulties candidate countries face in developing consolidated democracies feed back into, and accentuate, the EU's credibility problem. This could be attenuated assuming that the EU takes on an active role as a democracy promoter among its member states and in relation to candidate countries, by supplementing domestic efforts in this respect with dedicated mechanisms of democratic consolidation. In the case of member states, the rational, sanction-based mechanism should take a step back, since the EU cannot intervene directly at the domestic level to shape democracy. In this case, alternative domestic-

driven models, such as lesson drawing and social learning, may prove more effective.

With candidates, the system of sanctions and incentives persists in the form of conditionality. However, previous enlargements have already shown that conditionality does not necessarily translate into consolidated democracy. Mechanisms creating external pressure should thus be supplemented with models of rule adoption based on appropriateness rather than consequences. Overall the democratic credibility approach describes a much wider analysis framework than compliance. The logic of democratic credibility does not actually exclude compliance entirely but counts it as a component to be examined in combination with others, rather than a stand-alone analytical instrument.

### **6.3.2. The EU's future as democracy watchdog**

On the 2nd of May 2018, the European Commission announced a new proposal meant *'to strengthen the protection of the EU budget from financial risks linked to generalised deficiencies as regards the rule of law in the Member States'* (The European Commission, 2018, May 2). According to the new regulation, the Union may suspend or restrict access to EU funding in cases where rule of law violations are observed, *'proportionate to the nature, gravity and scope of the generalized deficiencies'*. Sanctions apply to funds under shared management, where the beneficiary is a governmental institution, and excludes individual recipients on the grounds that they cannot be held responsible for government actions. The new proposal focuses on ensuring the independence of the judiciary among its member states, and on limiting instances of corruption and fraud related to the EU budget.

Although it does not mention democracy explicitly, this proposal is a significant step in the direction of creating an effective form of post-accession conditionality. As I have shown in Chapters 2 and 5, the EU's ability to develop formal sanctions is the decisive factor in whether or not it will have a meaningful domestic impact. This new approach replicates the external incentives model in a different context. Under conditionality, candidates implemented reforms because the benefit of membership was significantly higher than the cost of compliance. The Commission's recent budgetary proposal will increase the cost of non-compliance in a concrete way, by targeting the rule of law, with wider implications for democracy. Of course, the proposal is in its early stages and has not been voted into effect yet, so it is difficult to predict what these implications

will be, or even if they will be effective long-term. Nevertheless, both the process and its consequences open up new research opportunities into the EU's role as a democratic actor, and the course of democratic deconsolidation in Central and Eastern Europe.

# Appendix

## DATA SOURCES

All data used in the measurement of economic and social contexts is based on Eurostat. Data for bargaining power comes from Eurostat, Eurobarometer and Antonakakis, Badinger and Reuter (2014). Data on populist parties is taken from the studies by van Kessel (2015) and Havlik and Pinkova (2012), and the Parties and Elections in Europe database (Nordsieck, 2017). See Chapter 2 and Bibliography for full details.

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## ABBREVIATIONS

GDP: GDP/capita

INFL: Inflation

DEBT: General government gross debt as percentage of GDP

GINI: Gini coefficient

POV: Population at risk of poverty and social exclusion

UNEMPL: Unemployment as percentage of adult population

SGDP: Country's share in total EU GDP

VOTE: Voting power in the Council

SKEPT: Public Euroscepticism as percentage of population expressing lack of trust in the EU

Data on economic context, social context and bargaining power

Table A.1. Components and raw data on economic context (E)

CASE	2005				2008				2011				2014			
	GDP	INFL	DEBT	E	GDP	INFL	DEBT	E	GDP	INFL	DEBT	E	GDP	INFL	DEBT	E
BG	-	-	-	-	57.00	91.55	13.00	53.85	55.00	99.94	15.20	56.71	54.00	101.08	27.00	60.69
CZ	21.00	81.50	28.00	43.50	16.00	91.00	28.70	45.23	17.00	94.60	39.80	50.47	14.00	99.80	42.20	52.00
EE	40.00	69.29	4.50	37.93	31.00	85.45	4.50	40.32	29.00	92.43	6.10	42.51	24.00	99.93	10.70	44.88
LV	50.00	67.40	11.70	43.03	41.00	91.14	18.70	50.28	43.00	96.88	42.80	60.89	36.00	99.79	40.70	58.83
LT	47.00	71.89	17.60	45.50	37.00	87.69	14.60	46.43	34.00	96.24	37.20	55.81	25.00	100.68	40.50	55.39
HU	38.00	68.98	60.50	55.83	38.00	82.12	71.60	63.91	34.00	92.98	80.70	69.23	32.00	99.94	75.70	69.21
PL	50.00	80.20	46.40	58.87	45.00	86.80	46.30	59.37	35.00	96.30	54.10	61.80	32.00	100.70	50.20	60.97
RO	-	-	-	-	51.00	78.33	13.20	47.51	48.00	92.84	34.20	58.35	45.00	100.41	39.40	61.60
SI	13.00	81.17	26.30	40.16	10.00	91.13	21.80	40.98	17.00	95.81	46.60	53.14	17.00	100.76	80.90	66.22
SK	40.00	81.71	34.10	51.94	29.00	90.22	28.50	49.24	25.00	95.43	43.70	54.71	23.00	100.35	53.60	58.98

## Data on economic context, social context and bargaining power

Table A.2. Components and raw data on social context (S)

CASE	2005				2008				2011				2014			
	GINI	POV	UNEMPL	S	GINI	POV	UNEMPL	S	GINI	POV	UNEMPL	S	GINI	POV	UNEMPL	S
<b>BG</b>	-	-	-	-	35.9	44.8	5.6	28.77	35	49.1	11.3	31.80	35.4	40.1	11.4	28.97
<b>CZ</b>	26	19.6	7.9	17.83	24.7	15.3	4.4	14.80	25.2	15.3	6.7	15.73	25.1	14.8	6.1	15.33
<b>EE</b>	34.1	25.9	8	22.67	30.9	21.8	5.5	19.40	31.9	23.1	12.3	22.43	35.6	26	7.4	23.00
<b>LV</b>	36.2	46.3	10	30.83	37.5	34.2	7.7	26.47	35.1	40.1	16.2	30.47	35.5	32.7	10.8	26.33
<b>LT</b>	36.3	41	8.3	28.53	34.5	28.3	5.8	22.87	33	33.1	15.4	27.17	35	27.3	10.7	24.33
<b>HU</b>	27.6	32.1	7.2	22.30	25.2	28.2	7.8	20.40	26.9	31.5	11	23.13	28.6	31.8	7.7	22.70
<b>PL</b>	35.6	45.3	17.9	32.93	32	30.5	7.1	23.20	31.1	27.2	9.7	22.67	30.8	24.7	9	21.50
<b>RO</b>	-	-	-	-	35.9	44.2	5.6	28.57	33.5	40.9	7.2	27.20	35	40.3	6.8	27.37
<b>SI</b>	23.8	18.5	6.5	16.27	23.4	18.5	4.4	15.43	23.8	19.3	8.2	17.10	25	20.4	9.7	18.37
<b>SK</b>	26.2	32	16.4	24.87	23.7	20.6	9.6	17.97	25.7	20.6	13.7	20.00	26.1	18.4	13.2	19.23



Data on economic context, social context and bargaining power

Table A.3. Components and raw data on bargaining power (B)

CASE	2005				2008				2011				2014			
	SGDP	VOTE	SKEPT	B	SGDP	VOTE	SKEPT	B	SGDP	VOTE	SKEPT	B	SGDP	VOTE	SKEPT	B
BG	-	-	-	-	0.60	2.82	14.11	5.84	0.70	2.82	16.55	6.69	0.70	1.71	24.22	8.88
CZ	1.60	3.65	29.20	11.48	1.70	3.41	24.65	9.92	1.70	3.41	40.13	15.08	1.80	2.21	40.03	14.68
EE	0.20	1.19	22.99	8.13	0.20	1.10	12.75	4.68	0.20	1.10	21.93	7.74	0.20	0.82	15.47	5.50
LV	0.20	1.19	27.10	9.50	0.30	1.10	27.20	9.53	0.20	1.10	32.29	11.20	0.20	0.94	25.79	8.98
LT	0.40	2.10	17.38	6.63	0.40	1.96	15.42	5.93	0.40	1.96	20.40	7.59	0.40	0.10	17.32	5.94
HU	1.30	3.65	23.30	9.42	1.30	3.41	27.34	10.68	1.30	3.41	32.88	12.53	1.30	2.10	33.05	12.15
PL	3.90	8.61	21.61	11.37	4.20	8.00	16.26	9.49	5.00	8.00	23.55	12.18	5.10	6.73	21.06	10.96
RO	-	-	-	-	2.10	3.99	14.71	6.93	2.10	3.99	21.01	9.03	2.20	3.89	20.68	8.92
SI	0.40	1.19	22.76	8.12	0.40	1.10	18.75	6.75	0.30	1.10	35.99	12.46	0.30	0.93	35.98	12.40
SK	0.70	2.10	22.51	8.44	0.80	1.96	16.35	6.37	0.80	1.96	30.02	10.93	0.80	1.43	35.98	12.74

## Data on populism

**Table A.4. Populist parties with seats in the legislative**

COUNTRY	PARTY	SEATS IN LEGISLATIVE 2005-2014
Bulgaria	ATAKA	21/240 (2005)
		21/240 (2009)
		23/240 (2013)
		11/240 (2014)
	Citizens for European Development of Bulgaria (GERB)	116/240 (2009) 97/240 (2013)
	The National Movement of Stability and Progress (NDSV)	53/240 (2005)
Czech Republic	Public Affairs Party	24/200 (2010)
	Dawn - National Coalition (ÚSVIT)	14/200 (2013)
	ANO	47/200 (2013)
Estonia	-	-
Hungary	Fidesz - Hungarian Civic Union	141/386 (2006)
		227/386 (2010)
		117/199 (2014)
	Jobbik	47/386 (2010)
		23/199 (2014)
Latvia	For Fatherland and Freedom (1993-2011)	8/100 (2006)
	National Alliance (from 2011)	8/100 (2010)
		17/100 (2014)
Lithuania	Order and Justice Party	10/141 (2004)
		15/141 (2008)
		11/141 (2012)
	National Resurrection Party (TPP)	
		15/141 (2008)
Poland	Law and Justice Party (PiS)	155/560 (2005)
		166/560 (2007)
		157/560 (2011)
Romania	People's Party - Dan Diaconescu	47/471 (2012)
Slovakia	Slovak National Party (SNS)	20/150 (2006)
		9/150 (2010)
	ANO	8/150 (2006)
Slovenia	Slovenian National Party (SNS)	6/130 (2004)
		5/130 (2008)

# Calculations

Table A.5. Final data for dichotomization

CASE	E2005	E2008	E	S2005	S2008	S	B2005	B2008	B	P	D
BG1	-	53.85	-	-	28.77	-	-	5.84	-	-	-
CZ1	43.5	45.23	-1.73	17.83	14.8	3.03	11.48	9.92	-1.56	0	0.38
EE1	37.93	40.32	-2.39	22.67	19.4	3.27	8.13	4.68	-3.45	0	0.84
HU1	43.03	50.28	-7.25	22.3	20.4	1.9	9.42	10.68	1.26	1	-0.37
LV1	45.5	46.43	-0.93	30.83	26.47	4.36	9.5	9.53	0.03	1	1.41
LT1	55.83	63.91	-8.08	28.53	22.87	5.66	6.63	5.93	-0.7	1	1.04
PL1	58.87	59.37	-0.5	32.93	23.2	9.73	11.37	9.49	-1.88	1	0.59
RO1	-	47.51	-	-	28.57	-	-	6.93	-	-	-
SI1	40.16	40.98	-0.82	16.27	15.43	0.84	8.12	6.75	-1.37	1	0.02
SK1	51.94	49.24	2.7	24.87	17.97	6.9	8.44	6.37	-2.07	1	-3.24
CASE	E2008	E2011	E	S2008	S2011	S	B2008	B2011	B	P	D
BG2	53.85	56.71	-2.86	28.77	31.8	-3.03	5.84	6.69	0.85	1	-5.24
CZ2	45.23	50.47	-5.24	14.8	15.73	-0.93	9.92	15.08	5.16	0	2.77
EE2	40.32	42.51	-2.19	19.4	22.43	-3.03	4.68	7.74	3.06	0	-0.33
HU2	50.28	60.89	-10.61	20.4	23.13	-2.73	10.68	12.53	1.85	1	-3.86
LV2	46.43	55.81	-9.38	26.47	30.47	-4	9.53	11.2	1.67	1	0.17
LT2	63.91	69.23	-5.32	22.87	27.17	-4.3	5.93	7.59	1.66	1	-0.27
PL2	59.37	61.8	-2.43	23.2	22.67	0.53	9.49	12.18	2.69	1	1.09
RO2	47.51	58.35	-10.84	28.57	27.2	1.37	6.93	9.03	2.1	0	1.03
SI2	40.98	53.14	-12.16	15.43	17.1	-1.67	6.75	12.46	5.71	1	-0.01
SK2	49.24	54.71	-5.47	17.97	20	-2.03	6.37	10.93	4.56	1	-2.77
CASE	E2011	E2014	E	S2011	S2014	S	B2011	B2014	B	P	D
BG3	56.71	60.69	-3.98	31.8	28.97	2.83	6.69	8.88	2.19	1	-1.29
CZ3	50.47	52	-1.53	15.73	15.33	0.4	15.08	14.68	-0.4	1	-0.52

EE3	42.51	44.88	-2.37	22.43	23	-0.57	7.74	5.5	-2.24	0	1.94
HU3	60.89	58.83	2.06	23.13	22.7	0.43	12.53	12.15	-0.38	1	-0.12
LV3	55.81	55.39	0.42	30.47	26.33	4.14	11.2	8.98	-2.22	1	0.23
LT3	69.23	69.21	0.02	27.17	24.33	2.84	7.59	5.94	-1.65	1	2.49
PL3	61.8	60.97	0.83	22.67	21.5	1.17	12.18	10.96	-1.22	1	-1.59
RO3	58.35	61.6	-3.25	27.2	27.37	-0.17	9.03	8.92	-0.11	1	-1.47
SI3	53.14	66.22	-13.08	17.1	18.37	-1.27	12.46	12.4	-0.06	0	-0.78
SK3	54.71	58.98	-4.27	20	19.23	0.77	10.93	12.74	1.81	0	-2.04

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